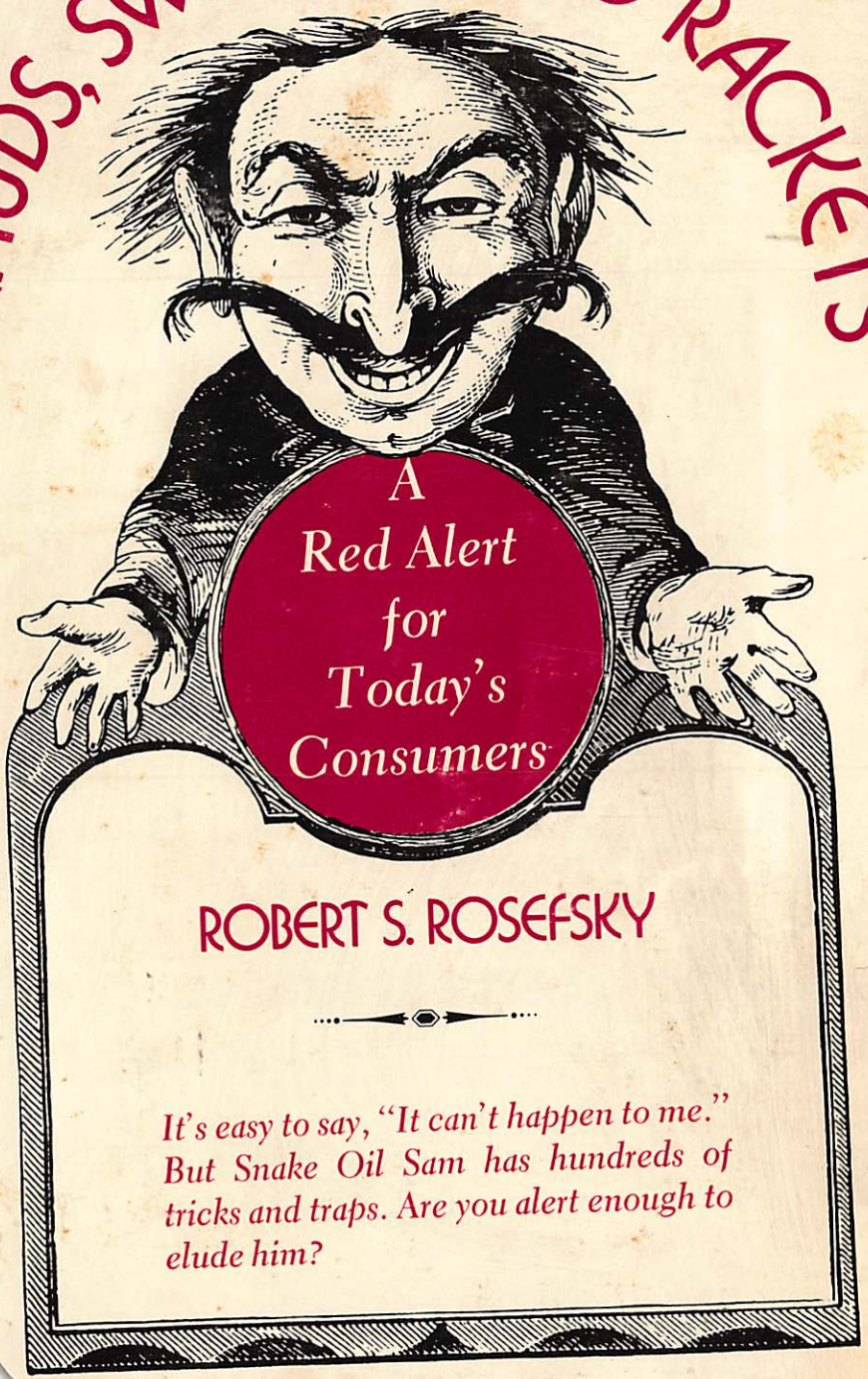
FRAUDS, SWINDLES, AND RACKETS



A Red Alert for Today's Consumers

ROBERT S. ROSEFSKY

It's easy to say, "It can't happen to me." But Snake Oil Sam has hundreds of tricks and traps. Are you alert enough to elude him?

A Sampling of the Contents...

PART ONE: **Mail order madness, and other "get-rich-quick" schemes**

How would you like to earn all of the money in the world, every month for life?

Muscles, bosoms, and envelopes

Ponzi schemes, chain letters, and onward

PART TWO: **Home improvements rackets: how to spot them, and how to avoid them**

The squirrels

The furnace

A visit with the insurance man

PART THREE: **The great American land swindle**

Dreams for sale: the blue collar victim, the white collar victim, the sophisticated victim, voices from the spirit world

More than one way to lose a bundle

So you want to buy land?

PART FOUR: **The myths and abuses of "E-Z" credit**

One-stop shopping

Bait and switch tactics

The fly-by-nights

PART FIVE: **Assorted sneaky side-winding schemes and swindles**

Service station swindles

Auto sales rackets

Household hustles

Health club and reducing salon rackets

PART SIX: **Who's doing what to whom, and for whom?**

The Holder in Due Course Doctrine

Some helping hands: the FTC, postal service, non-governmental sources, consumer protection agencies, state agencies (a survey of all 50 states and their consumer protection powers)

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ROSEFSKY • FRAUDS, SWINDLES, AND RACKETS •

Follett

Continued from front flap

those people new to the United States. Rosefsky describes these frauds, swindles, and rackets, and includes an array of experiences in which he himself became an intentional victim.

The results, and their implications, are staggering. Mail order businesses, land development companies, home improvement agencies, financial organizations, travel and employment firms—no field of enterprise cannot be a "cover" for Sam or safe from his unscrupulous representatives. No person, rich or poor, sophisticated or simple, is immune to Sam's trickeries. But if you think it could happen only to the other guy—hmm, look again, because the next time (or even *this* time) the victim could be YOU.

Robert S. Rosefsky is a leading authority on money management and consumerism. A former lawyer, banker, and businessman, he now devotes full time to financial writing and related activities. His syndicated newspaper column "Speaking Dollar-wise" was awarded first prize in the 1970 John Hancock competition for excellence in financial journalism.

His credentials as a lawyer and banker with special experiences in real estate and commercial banking qualify him in a unique way to write this book.

A native of Binghamton, N. Y., Rosefsky graduated from Yale University with a B.A. degree in 1957 and received his law degree from Syracuse University in 1961. After serving three years as vice-president of the Industrial Bank of Binghamton, he moved to Phoenix, Arizona, to become vice-president of the Pioneer Bank.

Through his newspaper column, which is distributed nationally by the Los Angeles Times Syndicate, Rosefsky is constantly in touch with the average American family's concern and frustration over money matters; he answers the thousands of letters he receives personally. In addition, Rosefsky lectures around the country on topics relating to money management.

FOLLETT PUBLISHING COMPANY
Chicago

Frauds, Swindles, and Rackets

A Red Alert for Today's Consumers
by Robert S. Rosefsky

"It can't happen to me," you say? Well, maybe one of these has a familiar ring . . .

Have you been talking recently to a magazine salesman?

How long ago did a service station operator tell you that your poor aching car needed more than a tune-up?

Are you thinking about an enriching and leisurely life at Agua Caldo Estates?

When is that special-priced dining room suite going to be delivered?

"It can't happen to me!" you say. Folks, step right up. Meet Snake Oil Sam! He's the big man in this book. He's got traps and tricks you'd never suspect were possible—confabulations that could snare you into his vicious multi-billion-dollar-a-year industry of consumer frauds, swindles, and rackets. Unfortunately, Snake Oil Sam, the smooth-talking con man, just might get you—and when you're least expecting it—because he's smart, articulate, mobile, and (especially) careful.

But author Robert Rosefsky, the foiler, reveals all about all of the ways Snake Oil Sam in his countless guises can bilk, cozen, fleece, and cheat the unwary public, a public picked with uncanny precision. Here's help for Sam's potential victims—and this means all of us—here's help to become aware of the various recurring patterns and characteristics that are Sam's tricks of the trade.

Lawyer Rosefsky, the nationally syndicated financial columnist, doesn't claim to know of every scheme ever perpetrated (for a new one is born every minute), but he does provide a nearly comprehensive study of Snake Oil Sam's ubiquitous, ingenious, and unscrupulous deceptions for the young, the elderly, the uneducated, the disabled, the uninformed, the resourceless, the monied, and

Continued on back flap

FRAUDS, SWINDLES, AND RACKETS

A
Red Alert
for
Today's
Consumers

ROBERT S. ROSEFSKY

FOLLETT PUBLISHING COMPANY/Chicago

A SPEAKING DOLLAR-WISE BOOK

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THE RANDOM HOUSE DICTIONARY
OF THE ENGLISH LANGUAGE:

Fraud: deceit, trickery, sharp practice, or breach of confidence, used to gain some unfair or dishonest advantage . . . a person who makes deceitful pretenses.
Racket: a dishonest scheme, trick, business activity, etc.
Scheme: a visionary or impractical project . . . an underhand plot . . . intrigue. (*Scheming:* given to making plans, especially sly and underhand ones; crafty)
Swindle: to cheat (a person, business, etc.) out of money or other assets . . . to obtain by fraud or deceit . . . to use unscrupulous trickery to defraud others; cheat.

FOREWARNING

Snake Oil Sam wants you!

And there's a very good chance that he's going to get you.

Snake Oil Sam is the titular head of a multi-billion dollar industry—one of America's largest and least known. It doesn't keep books, pay taxes, or file financial reports. Its stock isn't traded, and its earnings are never announced. But its profits, drained from the pockets of millions of victims, are enormous.

Some of Sam's operatives flit about in dark shadows, illegally and ingeniously, hitting and then running with every dime and dollar they can lay their hands on. Still others operate under the clever guise of the legitimate businessman, skirting the fringes of the law and raking in money because the victims can't tell the real from the phony. Yet other groups operate blatantly and openly in defiance of laws which are too weak to stop them, and of enforcement procedures which are too undermanned to slow them down.

No one is immune from the wiles of Snake Oil Sam and his vast task force. Anyone can be a victim: the rich and the poor; the sophisticated and the disadvantaged; the young and healthy, and the old and infirm; the city dweller and his country cousin.

The number and variety of schemes and swindles are

amazing to behold. They range from penny ante ploys —some of which are too ludicrous to believe—to the big grab at a life's savings.

Among the secrets of Snake Oil Sam's success are these curious quirks of human nature:

—There's a little bit of larceny in all of us; thus we are easy prey to the pitch that offers "something for nothing" or "a lot for a little."

—We are embarrassed or unwilling to admit that we've been bilked; thus we fail to inform the proper authorities of a scheme, allowing perpetrators to continue along their merry way.

—Our confidence is easily won; thus, we believe the spiel of the con man, taking it at face value, and neglecting to do the research that would disclose the true perils of the pitch.

Often we sense the spirit of Snake Oil Sam lurking in the body of otherwise legitimate businessmen. Are the mouthwash commercials that seem to promise a life of glamour and romance fraudulent? Or are they merely "puffing"? Is the merchant who runs out of the supply of loss leader items guilty of "bait and switch" tactics? And what about the massive outpouring of Madison Avenue? Do the endless claims—"cleans brighter," "stops headaches faster," "more nourishing," and so on—constitute deception or merely enticement? Are they promising something that they can't deliver (which is wrong), or are they merely suggesting the possibility of a benefit (which is not wrong)?

Indeed, often there's a thin line between the overzealous advertisement and the wiles of the con man. It's often impossible to draw a distinct line between exaggeration and misrepresentation, between braggadocio and deceit.

The so-called consumerism movement, which began to gain momentum throughout the country in the early

1970's, has done much to warn and advise the public about its habits in the marketplace. Within the broad realm of normal purchases there has been a great deal of legislation, publicity, and education in answer to the public outcry against shabby merchandise and wild promises. Strangely, though, very little of the vast energies that have ballooned the consumerism movement have had much effect on Snake Oil Sam and his legion of co-conspirators.

This book, then, is an effort to probe those areas of our financial activity above and beyond the normal range that we encounter in the day-to-day marketplaces. Rather than explore generally accepted products (which may or may not perform as promised), this book will examine those enterprises in which there is outright fraud: obtaining money under false pretenses. Situations where money is paid and nothing is delivered, or goods and services of a vastly inferior nature are delivered. Products are delivered as promised, but at a highly inflated price, with the purchaser willing to pay the price because he has been given false information or material facts have been misrepresented. Money is paid for the promise of future goods and services when the perpetrator has no intention of delivering the goods or services, or at least not in the fashion that he has represented.

This book is designed to acquaint you not only with specific schemes but also with general patterns that Snake Oil Sam is known to follow. The true stories presented are based on the author's personal experience, both as a syndicated newspaper columnist receiving a tremendous volume of fraud complaint mail from his readers, and as an intentional victim of a number of common schemes. Case histories are also culled from the records of many consumer fraud agencies around the country.

It's important to note that the *patterns of operations* are perhaps more worthy of your awareness than the spe-

cific case histories, for the specifics of a scheme—including the promoter's name and identity—can change overnight. But if the patterns are known, they can be spotted regardless of the disguise of the promoter. Thus, while you might not fall for a vacuum cleaner sales plan that promises you the reward of large commissions for every customer you refer to the company, you might indeed fall for a chain letter scheme that you receive in the mail. The pattern is the same, yet the approaches are vastly different. Regretfully, it serves little purpose to name specific names where swindles are involved. This has been done is some cases, but generally the time lag between writing and publication gives such promoters ample time to change identities many times over. Thus, a warning against the tactics of XYZ company serves no purpose if XYZ company does not exist by the time you read this book. ZYX company might well exist, and might be employing tactics similar to their previous identity. Thus, it's the tactics, the patterns, not necessarily the names, that will help you avoid falling into the clutches of Snake Oil Sam.

FRAUDS, SWINDLES, AND RACKETS

PART ONE:

MAIL ORDER MADNESS AND OTHER "GET-RICH-QUICK" SCHEMES

Snake Oil Sam's favorite recipe for making a victim:

—Take one heaping enticement of "get rich quick!" or "earn big money fast!" or "something for nothing!"

—Add one flickering reaction of "how far wrong can I go?" or "what have I got to lose?"

—Fold in one prevailing attitude of "it can't happen to me!"

—Simmer well.

Sam is a master chef, and a busy one. His creations churn out billions of dollars every year for him. He can whip up a dazzling and intricate gourmet concoction that can make even the most sophisticated businessman swoon (see the case of Doctor Widnap in Part Three). He is equally expert at turning out an unending variation of plain old meat-and-potato swindles geared to the average guy with the average wallet.

Of all his concoctions, none perhaps has greater potential than mail order gyps—a mind-boggling assortment of schemes and swindles advertised in the pages of nationally circulated periodicals. The mechanics of this operation are intriguing. Here's why:

1) A salesman working a door-to-door home improvement swindle might, if he's lucky, hit ten prospects a day, or perhaps 200 a month. But for the price of that salesman's monthly salary, Snake Oil Sam could buy a

small ad in a national magazine that might hit hundreds of thousands, or even millions, of prospects.

2) You buy the magazine of your own free will. You must have faith in it, or you wouldn't be buying it. It doesn't come knocking on your door unannounced, intruding itself into your routine.

3) There is a common presumption, generally correct, that if a product or a service is advertised in an otherwise legitimate publication, it must be all right. An ad for a swindle might be right next to an ad for a well-known national product whose reputation is unquestioned. In the reader's eye, the impression of the quality ad tends to rub off on the other ads interspersed around it. Furthermore, you might say, the periodical wouldn't run ads if they weren't all right—periodicals owe somewhat of a "moral duty" to their readers to be sure that their advertising is not misleading or deceptive.

It ain't necessarily so. In some cases the supposed "moral duty" takes a back seat to the need for ad revenues. Other periodicals might make a valiant effort to screen all of their ads, but they are limited in their abilities to do so. An ad may appear perfectly legitimate on its surface, and the periodical simply doesn't have the staff needed to trace the inner workings of the product or service that's offered in the ad. In large measure, they go on face value. The more morally inclined periodicals may refuse advertising from a firm about which they've received a number of complaints. Some may even make an attempt to help the aggrieved customer get an adjustment. But generally speaking, it's the old situation of "let the buyer beware."

Let's now make a distinction between mail order frauds and mail order foul-ups. Mail order complaints are usually found at the top of the list of most frequently received gripes at consumer protection agencies. For the most part, such complaints deal with merchandise that

has not been delivered, or refunds that have not been paid. The great abundance of these complaints often involves legitimate mail order suppliers that have an overall good reputation. The complaint might emanate from a computer foul-up, a mail delivery foul-up, or misdirected communications. Generally, when such errors finally get to the attention of the right party, these legitimate suppliers make an honest effort to adjust the complaint.

Such agencies as the Council of Better Business Bureaus and the Consumer Protection Bureau of the New York State Attorney General's Office report that such complaints with legitimate suppliers are usually adjusted with a minimum of difficulty. This doesn't mean to say that there isn't aggravation on the part of the buyer. But the matter *can* be resolved.

The mail order frauds—the get-rich-quick gambits—are something else. Gearing their pitch to the innocent, the greedy, and the gullible (which covers a lot of people), they seek to suck up money under pretenses that are often highly questionable, if not downright larcenous.

On Becoming a Victim

Though my files bulge with reported case histories of Mail Order Madness victims, such reports often tell only the end results of such swindles and don't contain the intimate details of the enticement, the entrapment, and other subtle maneuverings along the way.

Accordingly, I decided to become a victim myself, in order to get the maximum firsthand inside look at how some of these schemes operate.

My first task was to purchase a stack of popular national magazines, the kind you'll see on any newsstand. I picked a random selection of magazines on such subjects as TV and movies, sports, outdoor life, business opportunities, do-it-yourselfing, confessions, and men's inter-

ests. To avoid a one-shot fluke, I sought ads that appeared with some degree of frequency in a number of different magazines. The type of ad I was looking for was the kind that appealed to the "get-rich-quick, earn big money fast, something for nothing" instincts: ads which, in effect, asked "what have you got to lose?"; ads which might lead to my confidence being won easily. These are the termites that undermine common sense, that make us believe in something because we *want* to believe in it, that make us susceptible to trust the misleading and to ignore the deck stacked against us.

For a scheme to be successful, it has to be designed in such a way the victim will be so taken in that he may not realize he has been victimized; or if he does realize, it may seem too late or too futile to try to do anything. In such cases, the victim will have been lured into parting with money, whether a few dollars or a few hundred dollars, on the false, misleading pretense that he would receive great benefits for his "investment."

The line can be thin between deceptive tactics and exaggerated advertising. Consider, for example, three possible variations for a mail order ad offering a bottle of vitamin pills for $10. Ad #1 might read:

> "While there may be no specific definitive proof as to the value of certain vitamins, it's generally assumed that they can offer certain nutritional benefits. You might not be able to find this particular blend of vitamins at your local store, but if you shop around enough, you might be able to find something comparable, perhaps at a lower price."

To argue that this statement is misleading would certainly be difficult. It might not sell an awful lot of vitamins, but at least the advertiser has a clear conscience. Ad #2 might read:

"ENJOY THE BENEFITS OF ROBUST GLOWING HEALTH!

FEEL BETTER! LIVE LONGER! THIS UNIQUE BLEND OF HEALTH-GIVING VITAMINS IS NOT AVAILABLE ELSEWHERE!"

Here is a blatantly misleading statement which theoretically would not be permitted by the Food and Drug Administration. Somewhere between ad #1 and ad #2, ad #3 might read:

> "Our scientists might have hit on something! We think we've come up with a blend of vitamins that provides benefits not found in any other similar compound. If you don't believe us, ask your own doctor! You might not want to spend your time searching through stores for this product, so order direct from us by mail today."

Misleading or not? They have qualified their statements with enough "mights" to raise a question as to whether or not they have come up with anything. The inference is that they have discovered a new elixir for youth. But the words themselves say otherwise. They all but dare you to check with your doctor, knowing well that few people will.

Two other classic examples of Mail Order Madness further illustrate the thin line between fraud and salesmanship. Both are reportedly true stories, but the actual sources couldn't be traced. The first was a very small ad which appeared simultaneously in many national magazines. It said: "Your Last Chance to Send $1," followed by an address. That was it, plain and simple. The advertiser, so the story goes, was flooded with dollar bills. Of course, the senders of the dollars received nothing for their efforts, but the ad didn't say that they would. Misleading or not?

The other ad might have been a bit more enticing. It read: "Send $2 For A Fool-Proof Way Not To Lose Money On The Horses." Senders received a single sheet of paper with a short but sage message written on it: "Don't bet 'em." Misleading or not? The advertiser delivered what he promised—a foolproof way not to lose money on the horses. Was it worth the $2? If you followed the advice it certainly was. But the peculiar twisting of the horseplayer's mind allowed him to think that he wasn't spending $2 for a way not to *lose,* but for a way to *win.* In his mind, not losing is the same as winning. Where do you draw the line?

Obtaining money under false pretenses is translatable to fraud, and, depending on the degree, to larceny. With the above thoughts in mind, I started a frantic evening of clipping coupons and addressing envelopes, all the quicker to become a victim of Mail Order Madness.

Out of the dozens of schemes in which I became involved, the following tales are the cream of the crop. They all contain the same basic ingredients, in somewhat different guise, that you'll find in almost any kind of similar mail order seduction. Being able to spot the red alert signals is your best early warning protection against falling prey to any of these schemes, or any like them.

Herbie, the Glamour Boy

My first ad-venture came when I responded to a blurb that stated, simply enough, "$350 For Your Child's Picture For Our Advertisements. Rush Small Photo." An address in Hollywood, California, followed. What could be nicer? I rush them a small photo; they rush me a check for $350. What have I got to lose? What parent doesn't think his child is photogenic enough to appear in slick beautiful advertisements on magazine covers?

I riffled through photos of my own photogenic children, trying to decide which one might stand the best

chance of garnering the $350 check. Then I hesitated. If this outfit is doing an honest, legitimate job of screening photos of supposedly photogenic children, and one of mine does happen to qualify, then what have I proven? But if they're *not* honestly and legitimately screening photos of photogenic children, and I send them a non-photogenic picture, which they approve, it would then seem that anybody and everybody who sent any kind of picture might be on the hook for their follow-up gimmick.

Thus, I sent them a picture of Herbie.

Within a few weeks I received the reply. There, in an envelope chock-full of promotional literature, was the photo of Herbie pasted on a leaflet with "APPROVED" in big red letters stamped above the picture. A feeling of great joy coursed through my veins. Herbie seemed on his way to fame, and I to fortune—at least $350 worth.

The form letter which accompanied the approval glowingly announced that "though some were rejected, I am pleased to report that your youngster's photo was personally approved by me and accepted for publication . . ." in their magazine. Another brochure contained a batch of photos of angelic-looking tots, and a headline almost an inch high, proclaiming "Hundreds of Dollars Have Been Paid to Mothers Whose Children's Pictures Have Been Selected . . ." and so forth.

On further reading, I learned that not only was Herbie in line for stardom if his picture was published in this magazine—which purportedly is "mailed to the nation's leading advertisers"—but I would also receive two free copies of the magazine, plus a "special photo award certificate," a souvenir from Hollywood which, they told me, I "would cherish and treasure forever."

The clincher was the last paragraph: "The possible thrill of seeing your child in an advertising display, magazine, billboard, or calendar, is something we cannot describe . . . the chance you take is small, but the possi-

bilities may be great enough to change the entire future of the youngster. Don't let this opportunity pass you by——ACT Now!"

The catch? The "ACT Now" was meant to have me get out my checkbook and send them $12.95, for which they supposedly would print Herbie's picture, along with countless others, in their magazine.

Even if advertisers and their agencies waited each month with "baited" breath for their fresh copy of this magazine—and sources I spoke with had never heard of it—the odds against having a picture chosen and paid for are astronomical. Advertising agencies and publishers have at their immediate disposal well-stocked files of juvenile models provided them by legitimate model and talent agencies. For the most part, legitimate model and talent agencies do not charge the clients for their services; rather, they take a commission on placement of talent, be it live or in photography. You stand a far better chance of winning $350 on a $12.95 bet at the nearest lottery or racetrack. But the promoters would have you believe otherwise.

If their promotional literature had stated something to the effect that "your chances of receiving anything back on your $12.95 investment might be a thousand to one, or a million to one, as the case might be," it would be tough to argue with them. If you know how the odds are stacked against you, you can make your own decision. But vanity and misleading language may have already twisted the common sense of the unwitting parents. The promoters' failure to point out the true odds against receiving anything for your money certainly might be construed as false pretense. But that's only part of the story.

As I mentioned earlier, if they were doing an honest and judicious job of picking suitable photos—ones which really might stand a better than an astronomical chance

—then you might say they were acting more closely towards the bounds of propriety. But if they "approved" any and every picture that came along, hooking for that $12.95 regardless of the photo's quality, then their motives seem tainted at best.

That's what happened with Herbie, my dear and wonderful cousin. Herbie might have been a beautiful baby, but right now he's in his early 30's, stands about 6'2" and weighs roughly 225 pounds, give or take a man-size cut of prime ribs with an extra side of potatoes.

In the "approved" photo, he's adorned by horn-rimmed glasses and an expression best described as "approaching indigestion." What I would kindly call his "mature belly" is very much in evidence.

No, Herb, I didn't send in the $12.95. Sorry, but I just didn't want to take a chance on "changing your entire future."

And what, you might ask, happens to the ego-coddled mothers who do send pictures of their children with the $12.95? Perhaps they do receive a copy of the magazine along with their "Special Photo Award Certificate," which they can hang on the living room wall to show their friends. A few weeks go by, a few months, and they haven't yet received any checks for $350 from publishers or advertising agencies. They wait patiently and perhaps write a letter to the studio, only to be told, "Be patient; sometimes it might take awhile for publishers to react to our magazine." Maybe they'll suggest an updated picture for another $12.95. Many more months will pass, and the beautiful child grows up, develops acne, gets married, has kids of his own, and the cycle starts all over again. Does the mother feel she's been victimized? Possibly not. Perhaps those months of wishful thinking and of boasting of the certificate on the wall were enough psychic income to offset the lost $12.95. If she doesn't feel she's a victim, she won't complain and the studio just

leans back on its high pile of $12.95 checks, smiling contentedly.

The High Price of Vanity

Vanity is one of the most fertile grounds upon which Snake Oil Sam sows his seeds of fraud. There are many other twists to the above scheme, some by mail order, some by media advertising, some by phone and door-to-door solicitation. The common thread is that outfits, claiming to be model or talent agencies, smear on a heavy layer of schmaltz regarding the beauty of the child or the attractiveness of the adult involved.

"Hollywood is just around the corner" will be their theme of seduction "once you've signed a contract for our special package of services." The package of services generally will be an expensive contract, often stretching over a number of years, with the agency promising to provide certain services, such as still photography, "screen tests," and arranging for auditions. The gullible can be led to believe that their picture, screen test, and resumé will be in the hands of every major movie and TV producer and advertising agency in the world.

The badly bitten victim might awaken to realize that the agency has disappeared into the night, taking with them the victim's money. If they're clever, they will have already sold the contracts to a local financial institution (see Part Six on the Holder in Due Course problem). If, by a stroke of luck or lightning, the services are performed, it will likely be at a much higher cost than the individual need have spent.

TV and movie producers, magazine publishers, and advertising agencies need additional portfolios on actors and models like they need red ink in their swimming pools. There are enough eminently suitable actors and models within a five mile radius of Hollywood and Vine

and midtown Manhattan to accommodate the needs of all producers and publishers for the forseeable future, and then some. Furthermore, talent is knocking daily at their doors, or their legitimate agents are hounding the money men for work for their clients. Unsolicited portfolios coming in "over the transom" simply don't stand a chance.

Anyone who is making any kind of money in this cutthroat field of talent and modeling has done so by virtue of native talent or good looks, or both, plus an immense amount of excruciatingly hard work, enduring patience, and an abundance of "breaks." The shyster outfits that would lead one to believe that such a miracle can be accomplished overnight are indeed fearsome, because vanity can make us like puppets on a string in the hands of the sharpie flatterers.

The field of acting and modeling is woefully overcrowded, and tragically laden with ulcers, neuroses, and dashed hopes. Rich and glamorous it isn't, except for a minute fraction who might have spent decades chewing and clawing their way up the ladder, at the expense of their psyches. If you aspire to that world, for yourself or for your children, your first and best investment might be to have your head examined. If you're still convinced that you want to go ahead, pay a visit to some legitimate talent agencies or producers' offices (even local TV studios), and ask how you might go about being considered for professional work. The reaction you get should give you adequate information on which to base your ultimate decision.

Of course there are legitimate modeling agencies and acting schools that might charge a fee for teaching the basics of poise, presence, and so forth. Such legitimate operations should have nothing to hide. They should be able to readily disclose to you what the prospects are for you as a professional, and what they have done for the

people they have trained. It should be easy for you to seek out these individuals and obtain their reactions to the entire experience.

Tin Pan Alley, Here I Come

Find a need, then fill it. This slogan has always been a guiding beacon for the creative businessman. It has also been an unending source of income for Snake Oil Sam, who is always on the lookout for needs that need filling.

This was where I was to become a victim for the second time.

The need. There are heaven knows how many thousands, if not tens of thousands, of frustrated would-be songwriters in all corners of our nation. They have dreamed and speculated about the great day when one of their compositions might "hit the charts." Many have bashed their heads against walls trying to get a song publisher to read, or perhaps even listen, to their material.

It's an enormous mountain to scale. The chances of an unknown succeeding are microscopically small. You've got a better chance of wildcatting for oil. A great many of these would-be songwriters—if not the majority—would give anything for a break. Anything? Yes. Even money? You better believe it.

Filling the need. Offer a service that will give those frustrated souls what they want—a kind ear, a kind word, and a kind endorsement on their checks. And what about publishing their songs? Well, if they don't "hit the charts," we'll give them a good run for their money.

Grist for the gullible. My stack of magazines was replete with ads "seeking" songwriters. The setup offered the perfect opportunity for a ploy in which the victim never speaks out, either because he hasn't realized how he's been taken, or he's too embarrassed to admit it—prerequisites in Snake Oil Sam's scheme of things.

The ads themselves offer no concrete promises, but the lure is potent.

> "Songwriters . . . free publishing on selected material . . . we offer cash awards plus a new and different way for you to pursue your songwriting ambitions."
>
> "Poems needed for songs and records . . . publishing contracts guaranteed on selected materials . . ."
>
> "Songs, poems wanted for publishing and recording consideration . . . accepted songs will be published and recorded at our expense . . ."

(You mean after all these years of trying to break through and getting kicked all over the lot, there are actually some nice folks out there who want to hear my stuff? What have I got to lose? How far wrong can I go?)

In a nutshell, here's how these "nice folks" operate. You send in your song or poem. If you've ever sent any off to a legitimate publisher, you know that it often takes months before you get a reply, if you even get a reply. If you do get a reply, it's a rejection, and it's a curtly worded, impersonal, printed form. But these "nice folks" write back very promptly with an announcement that your song has been "accepted." The flattery that accompanies this acceptance might even make the baby-picture people blush.

Your confidence won, they urge you to sign the enclosed "contract," and send them $65 to $75 for "servicing," which might mean jotting down some music, and recording it with piano and drums at a "studio" which probably resembles the "record-your-own-voice" studio at the penny arcade.

If you take this bait, they'll do what they can to wrangle more from you. After a time you'll hear of their efforts to get it "published," culminating with an "offer" from a "publisher" (likely with the same address) to press your record if you send another $150 to $200. What happens

then? Not Dean Martin, that I can assure you. They'll have you believing that every disc jockey in the country can't wait to get his hands on a pressing of your record; but the truth is that every disc jockey in the country would have to be on the air approximately 274 hours each day to play all the records which are sent him by *legitimate* publishers, all of whom are backed by enormous promotion and advertising campaigns in the trade journals.

Suspecting these facts in advance, I planned my strategy to become a victim: I would write a song and see what would happen. Their pretense would be that I was overdue at Tin Pan Alley. That I knew was malarkey. But what about their actual screening? What, in fact, would they "accept"? I reasoned that, as with the baby pictures, if they were to accept material totally without merit—absurd, no rhyme, no rhythm, no sense, no nothing—their pretense of leading me to the heights would be equally without merit. They would just be out for the money, regardless of any consideration for real quality or actual potential in a market.

My next task was to compose such a song, and you must admit that in this day and age if you want to write a really bad song, you've got a lot of competition.

Putting my lack of songwriting talent to the extreme test, I thus composed a "song" and sent it swiftly to three such "publishers." I print it for you now in all its glory.

ETHEL IS MY ONLY LOVE
(sing slowly)

Oh, oh, oh, oh, Ethel
Ethel, Ethel, will you be my blessing?
'Cause when I look at you and sigh,
It makes me feel high. Oh me, oh my.

It seems like only yesterday that we were in
high school together.
I can't believe how old we are now, forever.

Oh, oh, oh, oh, Ethel
I feel just lousy without you.
You are my only love—not Rita anymore.
Seriously, I mean it.
Oh, oh, Ethel. Yeah, yeah, yeah.

A week or so later I trembled as the mailman handed me three sealed envelopes, all postmarked "Hitsville, USA—Hollywood, California."

Accepted! "Ethel" was accepted, not once, not twice, but all three times by those "nice folks" out there in make-believe land.

A sampling of some of their literature: "Dear Mr. Rosefsky, we have good news for you! Your song has been rated number five on our top thirty evaluation chart . . . we sincerely believe that your song poem, with the proper servicing, has the potential for a hit song . . . we have already contacted nearby publishers, and their response to it was positive . . . publishers' acceptance seems assured . . . if you have as much faith in your song as we have, you will want to take advantage of our offer."

And moving right along, folks: "You'll be pleased to hear that 'Ethel is my Only Love' has been accepted for broadcast on 'Songtime America' . . . this is your big opportunity to have your song heard. Nowhere else will you find such a complete and efficient service, yet the cost is small . . . the rewards for the writer of a 'hit' song can amount to a large sum of money . . ."

Another biggie, folks: "This is your big opportunity to have someone on the 'inside' of the music business help you to develop a song outstanding enough to be

accepted . . . publishers who saw it want to hear it after we have composed a melody for it . . ."

One "Good Old Oldie" slugged hard at the end of each letter: "Get that remittance in the mail today!"

I wasn't bothered by the fact that the literature from two of these three concerns was almost identical in some respect, leading me to suspect there might be two wolves in the same sheepskin. But perhaps their flattery went to my head; I got to thinking that maybe "Ethel is my Only Love" really was a good song, and I hadn't put these publishers to a true test of how bad a piece of work they would really accept. Maybe it was a fluke that all three accepted? Should I write another song (if I could manage one still worse) to eliminate the chances of a fluke in the first instance?

I'll give it a go, I decided, but how could I top (or bottom) "Ethel is my Only Love"? I studied the creative tactics of the likes of Hammerstein, Porter, and Carmichael (that's Bilbo Hammerstein, Puddin' Head Porter, and Clancy Carmichael, partners in an Irish delicatessen in Boston at the turn of the century) and went into seclusion for a week to come up with my next masterpiece:

I THINK I ADORE YOU, RALPH
(sing with a lilt)

Oh, Ralph, I think I adore you, Ralph
You You You You! !
I don't care what anyone says.
The fellows down at the plant say,
"What's a nice guy like you doing hanging around with a sissy-boy like Ralph?"
But I don't care, I don't care.
I'm old enough, old enough to know what I want—
And it's *not* Ethel anymore.

It's you, Ralph, I think I adore you.
You harlequin you!
Oh, oh, oh, oh, RALPH!

I sent it off to the same three publishers and waited anxiously for the response. One of the three had the brazen audacity to refuse it as being unacceptable. I was crushed, but only for the moment. The other two accepted it as readily—and with the same form letters—as they had accepted "Ethel." With one exception: whereas "Ethel" had been rated number five on the "top thirty evaluation chart" of one of the publishers, "I Think I Adore You Ralph" was rated number *three!*

During the course of my correspondence with them, I received continual follow-ups wanting to know why I hadn't sent the initial servicing fee. Playing their game, I wrote to them asking what I might expect after they had "serviced" my song. Thus was I able to verify the suspicions I had had at the outset: after some finagling, they would come to me seeking another $150 to $200 for the further "services" which would have my songs on the lips of all America.

Hard to believe? It shouldn't be. They found a need and they were filling it with good old Yankee dollars.

I never did send the initial servicing fee, so "Ethel" and "Ralph" will never make it to the big time. But I haven't given up altogether. Someday I'm going to write a song about how Ethel and Ralph found each other and left me stranded with a broken heart. And maybe, just maybe, that song will become a hit.

So You Think You Have Some Pretty Feisty Memoirs?

First cousin to these "song publishers" are so-called vanity book publishers, whose advertising appears in all manner of prestigious and not so prestigious literature. Regulatory authorities have yet to catch up with the mis-

leading advertising tactics of the song publishers, but they have made some stabs at controlling the vanity book publishing industry. Consequently, some of the ads will contain the word "subsidy publishers," which technically explains their position, but which probably is not understood by the great bulk of takers of the ads.

Subsidy publishing, or vanity publishing, means one thing and one thing only: you pay them to publish your book, and the fee can run into thousands of dollars.

The primrose path of the subsidy book publishers is not quite as twisting and perfumed as the path of the song publishers. Generally they come right out, after the initial barrage of flattery and exultation, and tell you that it will cost a set fee for the publishing expenses. Dealing with words rather than funny black marks on lined paper, the subsidy book publishers can more cleverly disguise their seduction.

Naturally, if you're going to pay a large sum to have your book published, you want to believe that it's going to be widely distributed, and that you might recoup your money from sales. If that's what you want to believe they're more than happy to let you believe it. As with song publishing, the chances of making money on such a venture are astronomically against you. The common procedure in the subsidy book publishing game is: once the book is published, a flowery press release will be sent to your local newspaper, and the publisher might go so far as to arrange an autographing party at a local bookstore. If you're spending good money to have your vanity fluffed, you're getting what you're paying for—if your vanity is worth that.

Each year, over 30,000 book titles (excluding textbooks and technical trade books) are published by legitimate publishers. During the course of the given year, maybe 100 of those will appear on best-seller lists. Most legitimate publishers are happy to break even on most of

the books they publish, hoping one or two of their titles each year might break through for a big profit.

Legitimate publishers have nationwide distribution outlets and active promotion and public relation facilities. The subsidy book publishers simply don't have such facilities. You can't win, but you sure can lose.

How Would You Like to Earn All of the Money in the World, Every Month, for Life?

Of all the enticements in the asylum of Mail Order Madness, perhaps none touches more upon our instincts of greed than the picture puzzle contests which are advertised in uncanny abundance in a variety of popular national periodicals. I couldn't resist becoming a victim of some of these schemes.

At first glance the puzzles appear to be utterly absurd. One headline in a magazine reads: "Play names and places for $10,000 in total cash prizes. Do you know the name of this famous movie star?" And there, smiling up at you, is Paul Newman. Just in case you don't recognize the picture, there are clues to help you. Now how silly can you get? Everybody knows the answer and promoters are not about to pass out big wads of money to everyone who enters. Or are they? What's the catch? You read the small print, and there is no apparent catch.

Then that little Greed Gremlin starts gnawing away: "So maybe it is a phony, but how far wrong can I go? What have I got to lose? Maybe, just maybe, by some strange quirk of fate, I *can* win something."

Here I go again.

If they were up to some hanky-panky, I was going to have to pay a 25-cent entry fee to find out. No harm there. Putting my ever skeptical mind into gear (which I highly recommend to all as fine preventive medicine), I suspected that all those people who correctly identified Paul Newman as Paul Newman would be asked to enter

a tie-breaking puzzle. Maybe that's where they hit you for some dough.

But what if I sent in an incorrect entry? What would happen then? If they found my wrong answer to be correct and put the bite on me for money, then they would be, at the very best, naughty people.

So, to play dumb, I looked at the picture and asked myself, "Who is that guy?" The first set of clues was no help to me: "He starred in such motion pictures as *The Hustler, Hud, Butch Cassidy and The Sundance Kid.*"

Then I turned to the word clues. The first name, it said, was "--UL" and the clue read, "the man who's married to Ma is called "———?" I debated. Was it "Da" or "Pa"? On a silly whim I guessed "Pa," which gave the mystery star a first name of "Paul." The second clue was easier. The last name was "---M A N" and the clue read, "the opposite of old is ——." Well, I may not be much of a speller, but I sure know my opposites. The answer was "neu:" and the star's name, "Paul Neuman"! I sent in my entry.

The reply was swift in coming: "Congratulations! The solution you have submitted for the entry puzzle is the correct one!" (Sorry about that, Paul. You'd better go back and check the vital statistics records. Can't have movie stars running around spelling their names wrong.)

Now the nature of the gimmick showed up. Indeed, my winning entry qualified me for the tie-breaking round —the first of six such ventures. But to continue I must pay an entry fee of $2, $3, or $5, depending on whether I wanted to win my share of $3,000, $5,000, or $10,000. Having come this far, how could I turn back? What did I have to lose?

I read the rules carefully, as they said I should, and rule #8 struck me. After reading it, I was convinced that at least one aspect of this contest was honest. It cautioned me: "No contestant may receive help, professional or

otherwise, from any source other than his immediate resident household. Substantial evidence of collusion between contestants will be grounds for disqualification of entries involved." Don't worry, guys; I won't cheat.

The first tie breaker, for which I sent in $2, was a picture of James Stewart. My entry went in as "James Stewert." I won again. Flushed with victory, I upped my ante to the $3 category, and mulled over the picture of the beautiful Swedish actress who played opposite Humphrey Bogart in *Casablanca,* and starred in other films such as *Anastasia* and *Gaslight,* both of which won her Oscars. Fortune was in my grasp as I sent in my entry, "Ingmar Birgman."

I won again! But now it was time to quit. Those naughty people didn't really want to see how smart I was; they just wanted my money.

Okay, you say, just because one puzzle contest seems to be nothing more than an outright moneygrab—accepting wrong answers as correct to keep those checks coming in—doesn't mean that others are, too.

Okay, I say, how about: "Enter free! Win your share of $3,000. Can you name our Mystery Picture? This is your golden opportunity to win big money without spending one cent of your own money to do so. . . . There are absolutely no entry fees to pay of any kind. . . . It's absolutely free!"

The Mystery Picture was an object that is used for the smoking of tobacco. At one end is a stem which goes in the mouth. At the other end is a bowl into which tobacco is placed. The recommended procedure is then to ignite the tobacco in the bowl with some sort of flame, and to suck the smoke emanating therefrom through the stem and into the mouth where it may be disposed of in a manner of one's own choosing.

Stumped? Here are the clues. One letter of each clue becomes a letter in the mystery object.

Clue #1 is a four-letter word, and we need the fourth letter for our mystery puzzle. The clue is a picture of an object that's used for purposes of casting illumination by means of a light bulb. The bulb is placed in the device and a shade goes on top. An electrical circuit is established by placing the end of a plug attached to the clue into a wall socket. By the simple turning of a switch, the desired illumination is created. Thinking hard? Think you have it? That's right, it's a *lamp,* and the first letter of our mystery word is *"P."*

Clue #2 is a four-letter word, and we need the second letter for our mystery word. The clue is "the number after eight." That's easy. The answer, now, all together, is *nine* and the second letter in our mystery word is *"I."*

Clue #3 is a five-letter word, and we need the second letter for our mystery word. The clue is "fourth month." If you remember to start counting with January, you easily get the right answer, *April,* and the third letter of our mystery word is *"P."* We're almost there.

Clue #4 was a toughie. It's a three-letter word, and we need the second letter to complete our mystery word. The clue consists of a picture of an item of furniture upon which people sleep. It has a footboard, a headboard, and atop a platform there are a mattress, a pillow, and a blanket. This one really separates the men from the boys. How many thought it was a "bed"? Well, you're wrong. The answer is *cot,* making our mystery picture a *"PIPO"!* (And how many of you thought that thing was a pipe?)

Think I'm kidding? A few days later, I got a letter from the puzzle people: "I know you'll be excited to hear that your solution to our puzzle contest has been found to be correct. You and a number of other contestants have submitted the only correct solution to this puzzle, and you have now definitely tied for our first prize." The literature went on to induce me to send in $3, $5, or $7 if I wanted to win a bonus first prize.

There's something rotten in picture-puzzle land. I suspect that if you want to see your good money disappear into thin air, just put it into your PIPO and smoke it.

At this point I would have left them alone, but they didn't seem to want to leave me alone. From the various puzzles that I entered, not a week has gone by that I don't get some entry blank offering me a chance to win upwards of all the money in the world, every month for life. How many other mailing lists my name might eventually appear on I'll never know.

Some Folks Just Don't Know When to Quit

Some folks just don't know when to quit, and Snake Oil Sam knows it. After my own experience with the puzzle contest, another situation came to my attention that left me shaking my head in total disbelief. A reader wrote to me complaining of a peculiar problem he was having. It seemed that he was a regular puzzle contest devotee, but had never won any big prizes. From time to time he may have picked up a token prize such as a cigarette lighter or an inexpensive transistor radio, but his tongue was still hanging out for one of the big ones.

Then one fateful day, he received a letter out of the blue from a firm in San Francisco which stated that the firm could sell him the correct answers to two puzzle contests which offered total cash prizes of $25,000. Their price for the correct answers was $25.

Hallelujah! He sent in the $25, and waited anxiously. Nothing could relate this amazing story better than the victim's own words, which I now repeat verbatim from his letter to me:

> Approximately one month later I did receive entry forms from both of the contests. At this time I must say that I was delighted because I really thought I would finally win a large cash prize.

I therefore purchased said answers and submitted my entries as they were received and dated. I completed both contests, including first and second tie-breakers.

However, to my dismay and shock, I was notified by the first contest that I was disqualified. They even notified me as to where my answers came from and who sold them. They also stated that this agency had sold more solutions than they had prizes to award. (Many of the tie breakers were identical to mine.)

Then two days ago I received notification from the second contest that I was disqualified because the answers were wrong (yet I copied each answer from the solutions that were mailed to me).

I have been caught in the middle, and I was so concerned about winning that I didn't realize what actually was going on.

I was paying on three ends—to receive the answers and then to enter these answers in the two contests.

Inasmuch as I have been disqualified I won't get any prize, and yet I have lost a total of $263.

Oh, dear, dear, dear; how deep is the pit that Snake Oil Sam digs for us, and how blithely we leap off the edge fully expecting to land on a pile of gilt-edged feathers. When this poor soul realizes he has smashed on the rocks below, he'll begin to wonder where his brain was the day his fingers were writing out those checks.

It's bad enough that he didn't realize the agency wasn't going to sell the correct answers to just him alone; it's also bad enough that he wasn't aware of the obvious collusion between the puzzle people and the answer people. But the ultimate woe is unto he who cheats and gets caught at it and thus becomes convinced that he has no recourse against the perpetrators of the fraud.

A clever trick indeed. What can you do when you have

cheated someone and then they turn around and cheat you back? You haven't a leg to stand on, or so you think, and Snake Oil Sam is holding his belly, shaking with laughter as he watches you flounder.

Greed, you monster, what would Snake Oil Sam do without you?

Why Work?

Indeed, why work? It's much more satisfying to fantasize over the "career opportunity" literature that is yours for the asking by filling out any one of dozens of coupons offering easy paths to untold riches.

The vain parents, the frustrated song or book writers, and the greedy puzzle contestants are all easy pickings for Snake Oil Sam. Equally easy, though probably more pathetic, is the victim who is clambering to get out of a lifelong rut. Breathes there a man with soul so dead who never to himself has said, "How do I get off this treadmill I'm on, and start making some *big money*?" There are millions afflicted with this malady, and there's a special niche of Mail Order Madness reserved just for them.

Contrary to what many of these ads will lead you to believe, there's no such thing as an easy road to "get rich quick . . . earn big money fast . . . something for nothing." That's the Great American Fairy Tale. Yes, great wealth is possible, but the basic prerequisites are hard work, and perseverance. An eight-cent stamp is not the ticket.

Nonetheless, so many of us are vulnerable to the power of suggestion, so quick to believe what we want to believe, that our common sense easily takes leave of us, followed in short order by some hard-earned money.

With these thoughts in mind, witness some of the promotions offered in such ads—and what lurks behind them!

"How To Get Rich," the inch-high headline proclaims. "The business is Mail Order . . . and it's fabulous! Come

up with a hot new item and *wham!* It strikes like a bolt of lightning! Suddenly, you are deluged with orders from all over the country . . . MORE MONEY than you could ever make in a lifetime! FREE. We are now accepting a limited number of charter members in our new Mail Order Program . . . if you are sincerely interested in starting a profitable business of your own . . . if you can see the tremendous advantages which Mail Order offers . . . ACT NOW!"

I "acted now," and soon received an envelope thick with more phrases designed to tease my already tormented brain. "Pyramid your profits! . . . Get a steady income for life! . . . Do you really enjoy what you're doing now? . . . Are you satisfied with your present income? . . . Is there any opportunity to make big money, possibly even a FORTUNE, in the job you now have?"

Okay, Okay. I'm hooked. My willpower is broken. What do I have to do to get in on this bonanza?

I have to send them $75, that's what I have to do. That's for starters in a business that can be as vexing and profitless as any endeavor except for the miraculous handful who, by the dint of enormous energy, skill, ingenuity, and luck might succeed where all others have failed.

Is it worth it? Who knows? Is a college education "worth it"? That's not the whole point. More particularly, is the promotion misleading, and thus likely to be without substance? Go back and take another look and decide for yourself. And if you should determine that mail order doesn't suit you, how about this one:

"YOU LET OTHERS MAKE MONEY FOR YOU . . . if you want to turn your spare time into money, you must get the facts about my home business plan . . . people everywhere work for you without salary . . . their efforts bring in big profits day after day . . ."

Oh really? My coupon brought me an envelope bulging with materials urging me to become involved in Direct Marketing, which I assume is a variation on Mail Order. Price of admission? For $93 I get a "BIG KIT" plus empty envelopes, record sheets, and so forth.

Another offer would set me up in a World Trade Plan —"I'll show you how to make big money;" also a $93 entry fee; also the same address as the Direct Marketing people.

Then there was a Merchandise Wholesale Program that carried a price tag of $158 or, if you're strapped for funds, you can pay $10 a month for 18 months, which would include interest that figures out to an annual percentage rate of just under 26 percent.

All of these plans offered some version of a money-back guarantee which, if they hold to it, is fine. However, you've got your own human nature to contend with. Once you've taken the first bite, your common sense may have already become too clouded to warn you about springing for the big bucks.

Most fascinating among the reams of literature was a warning sheet from the $158 people alerting the reader as to how some of their competition (unsavory fellows) operate. They describe what might be considered as charlatans as follows:

> "Those who . . . offer a free catalogue of 'specialty merchandise' warehoused in the United States. Baloney! What they don't say is that first you must pay about $100 for a course of instruction on importing.
>
> "Those who . . . offer a 'free' seven-day examination of the program in your home. Again, nonsense! They send you a few books to examine. You don't get complete information on prices or products until you pay in full. Then it's too late to cancel your contract.

"Those who . . . offer to show you how to operate by mail. Watch out again . . . they want to sell you more 'paper' in the form of a mail order course.

"Those who . . . offer to 'scout the world to find products for you.' How do they do it? By continuing to charge you $100 fees twice a year, which go to finance these trips."

"New Roads to Opportunity and Wealth"

Another approach, using a unique soft sell, appeared in a very small ad in many of the nation's more prestigious magazines. It asked, in effect, if I knew how many millionaires there are in America, and it planted a seed of curiosity in my head as to why I wasn't among them. For the price of a stamp, I could get a booklet called "New Roads to Opportunity and Wealth," which, on the face of it, seemed like it should offer good reading.

The booklet was a slick, well-produced job, 46 pages long, with cover art showing a man alighting from a private jet and strolling towards a Rolls-Royce limousine. The chauffeur awaits, holding the door open. I read through the entire book and not once did I determine what they were talking about. There was no specific mention of any product, service, or endeavor in which prospects might become involved.

The best indication I could get from the booklet about the company's commodity was contained in these words:

"Presenting . . . a unique business opportunity for qualified distributors . . . with an exceptionally successful organization dedicated to the financial growth and development of its associates and their clients. The creators and producers of blue-chip aids, ideas, systems, courses, films, seminars, programs, and a broad range of result-producing assistance in nearly all aspects of the professional and personal world. One

division of the company provides motivational systems and programs for professionals, politicians, and business firms and their employees, presented by eminent personalities—authors, speakers, motivators."

And later in the book:

"As an associate, you start out with an unexcelled service. It carries, to a large extent, a monopolistic element in that it has no serious rival. It may be said, of course, that competition will arise now that this aggressive young company has pioneered in the field . . . As one of the company's distributors, you, and the agents you appoint, become vendors of an extraordinary specialty 'line' with statistical records showing an enormous potential market."

If this tells you anything more about the firm than it did me, I'd like to know about it. Still in the dark, I decided to send in the postcard offering more information that was attached to the book.

A few weeks later I received a long distance call from Denver, Colorado. The caller introduced himself and repeated the answers I had put on the card as if to make sure I was one and the same person. After answering a few absurd questions ("What do I think of work?" "How much money would I like to make?") the caller informed me that I seemed acceptable for their program, which included having the requisite "some hundreds of dollars" available. How soon, he asked me, could I get to Denver to meet with them and learn about all that he had to offer me. He was quick to note that such a trip would be *at my own expense.*

I politely stated that before I spent a few days of my time, and a few hundred dollars of my money, I thought I should have a little better notion of just what their company had to offer. He explained that it would be

better if they could tell me all about it once I was in Denver, because if he told me over the phone, it might deter me from coming to Denver, and thus I might foolishly preclude myself from participating in their program because of an uninformed snap judgment on my part.

I told him that I promised I wouldn't be turned off by whatever it was he might tell me on the phone and that I'd be a lot more turned off if I got to Denver on my own hook and found that I didn't like what they had to offer. He agreed that I might have a point there, but he just couldn't get into specifics on the phone.

I then spent 45 minutes long distance with him (at his expense) trying to extract by every means I could devise just what it was they had to offer before I took off for Denver. I elicited absolutely nothing; he was a master of evasion.

I asked for references, names of other people they had set on new roads to opportunity and wealth, business firms with whom they had done business in their home territory, anybody or anything that could tell me more about this firm who wanted me to fly to Denver on the next available flight.

"I'm not at liberty to divulge . . ." was his repeated answer.

The Denver Better Business Bureau was at liberty to divulge and, among other things, their report included the following: "BBB file reflects questionable advertising and selling methods have been used by subject . . . sales plan is a scheme of doubtful benefit to purchaser . . . selling methods have been subject of governmental action in the past . . . we suggest you consult your attorney on this matter."

The New Road to Opportunity and Wealth, it seemed, was just another trek down that old familiar path, looking for the pot of gold at the end of the rainbow. Look

all you will, but the chances are that all you'll come to is another mud puddle.

Muscles, Bosoms and Envelopes

The sheer volume of ads in these magazines and the limitations on my own energies prevented me from sampling all the enticements that were offered. I may never find out just what's behind all those ads that promise to take weight off, put weight on, remove pimples, put pimples back, grow exciting new muscles, and get rid of dull old ones. And tempted though I was, I just couldn't bring myself to try the myriad of ads that would help me enlarge my bosom. But there were a batch of others that I explored, and which deserve particular note because they tended to prey on those least able to help themselves—the lonely and the elderly who are unable to move about in their community, and who hope to pick up a bit of spare income by performing work in their homes. There are a great many schemes aimed toward this fertile ground. The following are prototypes; many others are simply minor variations.

—Envelope addressing, part one. For $3 to $5, you get some mimeographed instructions on how to address envelopes, plus blank forms to send out to businesses which they can use to order your envelope-addressing services. You might not miss the few bucks, but the frustration of trying to make your venture pay off can be heartbreaking. Most firms that have any volume of envelope-addressing requirements are well-equipped with either secretaries or machinery that can do the job cheaper and quicker than you as a free-lancer can from your home. If you do have some skills that you want to put to work and are restricted to your house for one reason or another, ask among friends and acquaintances if they know of any firms having any kind of work that can be parceled out to a home-type office such as yours.

This might include a variety of things such as bookkeeping, proofreading, collating, and so on. If you simply have time on your hands that you want to put to constructive use and aren't worried about making money, there is an abundance of worthwhile charitable organizations that can use all the volunteer manpower they can get. If money isn't the object, you might find the sense of self-satisfaction you can achieve by helping others to be worth more than the few dollars you might have made in a presumed money-making venture.

—Addressing envelopes, part two. The object here is to make a commission selling a product. You spend a bunch of dollars buying some advertising literature from the company, and then you address the envelopes or postcards, using a mailing list that you can either devise yourself or buy from the company. You then send out the solicitations (postage at your own expense) and wait for the orders to come in. As orders come in, you send them to the company to be filled, and they pay you a commission for each order filled. The trap is that by the time you've bought the materials and paid for the outgoing postage, you might have spent $20 or $25. The commissions you'll get on the orders that come in might total $1 or $2. I've seen too many cases fitting that pattern (and not one shows that anyone made a buck) to be convinced that this is anything but a futile endeavor, and one which could involve considerable cost for you.

—Assembling products for sale. It might be baby booties, jewelry, crocheted items, or the like. The object is to buy an unassembled kit from the company and assemble it at home in your spare time. The kits can be costly, and there might be a considerable amount of time involved in assembling the finished product. The catch is that the company will buy the finished product from you at a price above what you paid for the kit, the difference being your profit. When you finish the product and

send it back to the company, don't be surprised if you get a letter stating that the finished product is not up to their standards, but they'll be "happy to sell you another kit so you can try again." This can be an endless process, amounting to lost money and lost time on your part.

Another catch can be that the company will sell you the kits, and will also sell you "hints" on how to go about getting orders for the finished product from stores in your own area. If you fall for this you're competing with an unending barrage of professional salesmen that call on the buyers at your local stores every day. The buyers know the quality of the products that they buy from such salesmen, when they will be delivered, and their computers are all rigged to take care of the billing and payment procedures. You'd be like an extra thumb on their hands. Another futile venture. Proceed with caution.

No End in Sight

There will never be an end to Mail Order Madness. One scheme may be spotted and squashed, and another will pop up to take its place. One promoter might be sent off to jail, but he'll leave ten protegés in his place to carry on his crusade. Government regulations might get tighter and tighter, but Snake Oil Sam will get smarter and quicker. The only thing that can really put an end to Mail Order Madness is if the victims stop becoming victims. But before that happens, there has to be a drastic revolution in human nature.

We're basically honest, trusting people, which is fine when it comes to making our little share of the planet liveable. But that strength is also our weakness, for the more we trust, the easier it will be for Snake Oil Sam to win our confidence. And that's when the trouble starts.

We also tend to be anxious to acquire things, and the easier we can acquire things, the happier we are. That's the other half of Sam's one-two punch:

We're led to believe that we can "get rich quick." Not so. We may want to believe it in the worst way, so we *let* ourselves believe it. Wishful thinking is hard to turn off. We let our common sense go on a leave of absence, and while it's gone we're sitting ducks.

We're led to believe that we can "earn big money fast." Not so. The perpetrators of Mail Order Madness might be earning big money fast, but it's *our* money they're earning.

We're led to believe that we can "get something for nothing." Not so. Instead, we get nothing for something, the something being our money.

Thus, while it might be easy to say, "I won't fall for any schemes," it's not so easy to eradicate these motivations that exist in us all. When they surface strongly enough, they wipe out our common sense. And don't think that Snake Oil Sam doesn't know it.

Some Advice on Mail Order

Sam's success is largely based on his imitation of the legitimate dealers in a given field. His Mail Order Madness thrives because the mail order industry in America generally is a thriving, trustworthy, reliable industry—and the bad apples sneak in on the coattails of the good guys. Mail order is a huge and important segment of our economy because it has proven to be a desired convenience for the millions who make efficient use of its services. But any kind of long distance business transaction is subject to inconveniences and frustrations, which are particularly irksome when your money is in a different part of the country and you're waiting to hear. Following, then, are some pointers on how to avoid difficulties when you do make use of the convenience of mail order shopping.

—As the early part of this chapter has pointed out, be on guard at all times against offerings that purport to

deliver a lot for a little, or something for nothing. You're liable to become involved in a scheme that's aimed solely at your pocketbook and you're left with nothing to show for it except egg on your face.

—In any transaction that requires you to part with your money before you can lay your hands on the goods, be well aware that you are subjecting yourself to the world of computers or far distant office clerks who look upon you more as a number than as a valued customer. While computers can do wonderful things, and they do them perfectly probably 99.9 percent of the time, when they goof it's monumental. Trying to straighten out a computer error can be a nightmare, and often it's not worth the energy and time you have to go through. If the firm that you've ordered through has a local branch, an adjustment may be easier to achieve. If not, you may just have to hope for the best. Being aware of this potential problem doesn't help solve it, but it might help to make it easier to live with if it happens to you.

—Get a photocopy of your order and of the check that you send along with it. Don't send cash. Retain a copy of the ad to which you've responded, and note on the ad the date on which you responded. If there's a lot of money involved, you might want to send a letter via certified mail, return receipt requested. That way you have added tangible evidence as to when, and by whom, your order was received. If you can order C.O.D. it might help your peace of mind, but be prepared to have the money on hand when the parcel is delivered or you might have to make a trip to the post office.

—If the item is breakable or perishable, determine whether or not it will be insured in transit. Legitimate suppliers should be able to accommodate you without any problems. A schlock shop can send you uninsured, damaged goods, and claim no responsibility. Then where are you?

—One of the problems of mail order is that it has to depend on the U.S. mail. Parcel shipments can take weeks, and parcels can get lost. Depending on the contents, you might want to have an item shipped to you certified or registered, which makes tracing easier if there's been an apparent delay.

—If the offer has a money-back guarantee, don't lose your rights by not sending it back within the time limit. Keep the orginal mailing carton in case you want to make a return. Keeping the carton on hand will also remind you that you do have the privilege of making the return. If you do return the goods, send them by certified mail; insurance can also be to your advantage. Also send a cover letter and keep a copy of it.

—If you have any doubts about the firm at the other end, check around at local stores first to see if the item can be obtained locally and perhaps at a better price.

—Unless you're confident of the firm's reputation, you've nothing to lose by first checking with your local Better Business Bureau, and also with the BBB in the city in which the mail order firm is located. Those same sources, plus the National Council of Better Business Bureaus (845 Third Ave., New York City, N.Y. 10022), and the New York State Bureau of Consumer Frauds and Protection (80 Centre Street, New York City, N.Y. 10013), might be of help in obtaining adjustments. With respect to the New York State Bureau of Consumer Frauds, they have expressed a willingness to help residents of other states who get involved with mail order problems when the mail order firm is located within New York State, as a predominant number of them are. Both of these agencies try to acknowledge receipt of a consumer complaint as quickly as possible, but owing to backlogs, it might take a number of weeks before they acknowledge your complaint. The fact that they might not acknowledge your complaint does not mean that

they are not acting upon it. Don't expect miracles. These and other state agencies receive tens of thousands of complaints about mail order each year. They have indicated that legitimate firms usually try to adjust their complaints as promptly as possible. But if you've fallen into the hands of a gyp operation, you might have to consider yourself lucky if you get any adjustment at all.

If you are unfortunate enough to run into a mail order supplier who doesn't deliver and won't adjust, you might consider it a relatively inexpensive lesson for future ventures in mail order purchasing from unknown or unreliable firms. You are your own best friend as well as your own potential worst enemy when you go forth into the marketplace, whether it's by mail or in the stores. Caution, common sense, and careful shopping are your most powerful weapons. Use them.

And Now, Ladies and Gentlemen, Watch an Entire Life Savings Disappear Before Your Very Eyes!

Most of the schemes described in the category of Mail Order Madness are what Snake Oil Sam might consider nickel and dime stuff. Many of the schemes shoot only for a few dollars from each victim, relying on a heavy volume of response to make money, and relying on the victim's unwillingness to spend more time or money chasing down a small loss. Even those schemes which shoot for upwards of $100, or a few hundred dollars, are carefully structured to keep the victim unaware for as long as possible that he was, in fact, victimized.

But there are a number of other schemes that also have the common thread of the "get rich quick—something for nothing" motivations. The big difference is that they're shooting for all the money they can hustle as quickly as possible. It may be a few thousand dollars; it may be tens of thousands of dollars. Not only do the victims miss the money, but they're wiped out. And

often the clever pitchman can *still* delay the victim from complaining. The victim might be numb with bewilderment, shock, or embarrassment, and simply fail to make his plight known. Or the victim might be led down the path for months, thinking he's really onto something big, while all the time Sam is ahead, covering his tracks and preparing for a fast get-away when the victim's eyes open.

As with all the other schemes in this book, nobody is immune from becoming a victim. The sophisticated businessman can be sucked in as readily as the elderly and uneducated citizen, perhaps because he has even a greater lust for that fast profit.

Nothing spells downfall so readily as the "get-rich-quick" quest. Here is a rundown on some of the major types of swindles and tactics that have been designed to satisfy our "get-rich-quick" appetites.

The Pigeon Drop

In this blatant and outrageous scheme, it's difficult to determine who is more larcenous: Snake Oil Sam or his victim. While there are many possible variations, the garden variety Pigeon Drop scheme works something like this:

Sam will approach his victim on the street. Based on available police reports, the victim is generally an elderly person, a category chosen carefully by Sam for reasons which will become clear. The approach can be made on many pretenses. Common are: "I have found this large sum of money. I'm a stranger in town, and I'd like someone to go with me while I take it to the police." Or, "I have this large sum of money which I am supposed to return to a friend of mine, but I can't find his address. I think it's somewhere in this neighborhood here. Would you be able to help me find his house?"

Sam will flash the stack of bills to the victim, and will

otherwise innocently proceed to enlist his aid. Sam's accomplice will be stationed nearby, and shortly after Sam has made his approach, the accomplice will call the victim aside out of Sam's hearing.

The accomplice will then say something to this effect: "Did you see the big stack of money that guy has on him? He doesn't look like a very smart fellow to me. What do you say we sit him down in a little friendly poker game, and see if we can't make a few bucks?"

How many intended victims walk away at this point, we'll never know, for they would tend to shrug it off and not bother reporting anything to the police. If they were aware of what was going on, as you now are, a quick phone call to the police relaying identities, location, and other pertinent information, might prevent the completion of the scheme.

If the victim is intrigued by the prospect of "taking" this lost stranger, he and the accomplice will then approach Sam and suggest that they have a friendly game, at a place suggested by the accomplice. A nearby park bench, tavern, or parked car will suffice for the next locale. The game begins, and in short order the victim is winning big money from Sam. Naturally Sam plays it that way. Then Sam wins one hand, and suddenly asks the victim, "Say, what if *I* start winning big the way *you've* been winning big? You've seen my cash. How do I know that you have enough cash to back up any losses you might have?"

At this point, if the victim has no ready cash available, Sam and the accomplice will quickly pull out and move on to better hunting grounds. Very little ventured, nothing gained. But nothing lost either. As far as the victim is concerned, they haven't done anything wrong, so there's no need to suspect any crime.

But if the victim does have a supply of cash available, there's a good chance that his appetite for all that money

has been irretrievably whetted, and he'll want to get the money and go on with the game.

Sam has carefully chosen an elderly victim; his sharp eye can determine if an individual dresses and speaks in a manner such as to indicate that he might have a substantial savings account in the bank. The elderly victim is also likely to be more gullible, more apt to get involved with strangers out of a sense of loneliness, more likely to fear retaliation should he report it to the police, and less able to embark on a chase when the scheme is completed.

If the victim has defended himself and told Sam and the accomplice that he does have a savings account in a nearby bank, the accomplice will be only too happy to drive him to the bank, where he will withdraw a large sum of cash from his savings account.

The game goes on—the Pigeon Drop game, not the card game. At this point, Sam and the accomplice might decide to waste no time, and they might simply grab the cash and flee. Or if they want to play it more subtly, Sam might proceed, through devious card tactics, to win the pile of cash from the victim in short order. One other tactic might be that the accomplice, whom the victim already holds in trust, suggests that he "doesn't like the looks of this fellow Sam; why don't you let me hold your cash, so if he tries anything funny with you, I'll have the money protected." If this is done the accomplice can simply excuse himself to go to the men's room, or another similar trick, and he simply disappears to meet Sam later and split up the loot.

The victim is stunned, unable to give chase, and likely to be afraid to report it to the police. If he does report it, there's little chance that the police will be able to track down the con men unless they've had ample notice of their operation. As ludicrous as the scheme sounds, there were six reported cases of it in one major city recently

over a span of just a few months. The take ranged from a few thousand dollars to upward of $15,000 in one quick hit-and-run session!

Sometimes the bank will be alert to such schemes, and a teller, spotting an unusually large cash withdrawal from a savings account, might alert an officer who will question the victim regarding the need for the cash withdrawal. Such action on the part of the banker would be the last hope for the victim to prevent him from losing his money. However, the victim himself might resent being questioned as to why he's withdrawing his own money; or the victim may have been prepared by the accomplice to resist any such questioning. All too frequently, though, the last hope never materializes, simply because the tellers may be too busy to pay any attention to such cash withdrawals, and the money is paid out on the spot.

The key to the success of the Pigeon Drop game is the victim's own greed. Dazzled by a large sum of cash which he believes can be his with very little effort, his mind becomes clouded to the reality of what's happening to him. Snake Oil Sam has spun a magnificent web, dripping with the sticky stuff that "get-rich-quick" schemes are made of.

All that's needed to avoid becoming a victim of the Pigeon Drop game is an awareness of the dead giveaway signals: the sudden apparent opportunity to make a pile of money, and the request by the con man that the victim obtain a large sum of cash or other property of considerable value. Once either or both of these ploys are recognized, it's simply a matter of the victim realizing that there's no way in the world that he can do anything but lose. The odds are 100 percent against him. If he gets involved, he's going to be out a pile of money. It's as simple as that.

Ponzi Schemes, Chain Letters, and Onward

Many decades ago, as the story goes, a man named Ponzi was allegedly making huge sums of money by speculating in international currency and postage markets. He obtained his money by attracting interested investors who wanted to "get in on the action." They might, for example, give Ponzi $1,000 or $10,000, with the promise of getting back all their money plus a 20 percent profit within a very short time. Ponzi would then supposedly invest the money through his channels and always come up a winner.

The best way to continue attracting new investors is to have a good reputation with your old ones. Ponzi kept his investors very happy indeed. He kept his promise on the spot, and investors flocked to him as word of mouth spread of his Midas touch. In theory, if Ponzi's own investments took a sudden unexpected turn for the worse, he'd have a legion of dissatisfied investors pounding on his door. He would then have to make explanations, offer apologies, and convince them that "you can't win them all," and hope that they would have enough faith in him to continue investing through him. Had he done this, Ponzi may have been remembered through the years as a shrewd investor who made a lot of money for a number of people, and in doing so, also made a lot for himself.

But things didn't turn out quite that way. Instead Ponzi is remembered as the father of the original pyramid scheme, and his imitators over the years have been many and varied.

The nickel and dime version of the Ponzi scheme is the common chain letter. Although it's illegal, it still flourishes all across the country, and hardly a soul who has a mailbox has not received one form or another of a chain letter.

The essence of this scheme is beautiful in its simplicity: Snake Oil Sam contrives a convincing letter that would lead the reader to believe that anyone participating in the chain will receive a lot of money. The letter asks the reader to send $1 (or whatever) to the name on the top of the list, then to send out, say, five copies of the letter to various friends with the top name on the list eliminated, the reader's own name at the bottom of the list, with each name thus moving up a notch. The odds look inviting. You spend $1, plus some postage, and you figure that by the time your name moves up to the top of the list, there might be hundreds of people ready to send you $1.

But it doesn't work like that at all. Of the five letters you send out, maybe one or two will continue the chain. Perhaps none will. By the second generation, there still may be only a handful of suckers continuing the chain, and the odds are that by the time your name has moved to the top of the list, the chain has been completely broken, and you never receive a thing. But, then, you say, you only lost $1, so what harm was there in it?

But there sits Snake Oil Sam, smiling as he opens up huge stacks of letters each containing $1. How does he do it? Simple. Sam didn't get involved in the middle of the chain. He started it. He sat down with a telephone book and sent out a thousand, or many thousands, of such letters at random. He didn't send anyone any dollars. But his name was at the top of the list on all those thousands of letters, and if he only hit one out of ten suckers, he could be making a bundle on his relatively small investment of some postage and mimeographed paper. Not only is it a hit-and-run operation that can't be traced, (Sam uses an assumed name and post office box), but it's also ideal insofar as victims don't complain. Not only are they not going to waste any more time chasing down

a $1 or $5 loss, but in doing so, they would have to admit that they had taken part in an illegal venture. It's that old demon greed working against us again.

A Lesson from Barnum

The more grandiose Ponzi schemes don't bother with such petty cash matters. The big operator takes his gospel directly from the old master, P. T. Barnum. Not only does he realize that there's a sucker born every minute, but he has some other Barnumesque attributes: he has the cast-iron stomach of a fire-eater, the steel nerves of a tightrope walker, and the fast get-away abilities of a shot-from-the-cannon stunt man. His gimmick, like the chain letter, is to parlay a small initial investment into a bundle then disappear into the interior of Brazil, or other such places that would permit him to spend his loot in comfort, pleasure, and without bother from any authorities.

His device proceeds roughly as follows: he starts with a bankroll of $5,000. He seduces, say, ten investors into putting up $1,000 each, with the promise of getting back their $1,000 plus an extra $100 in 60 days. A $100 return on a $1,000 investment within 60 days is tantamount to a 60 percent annual return on your money. Not bad. At the end of 60 days, the promoter indeed returns the $1,000 to each of his ten "investors," plus the added $100 each, which taps his own nest egg for $1,000. He now has ten ecstatic investors, and a remaining nest egg of $4,000.

At the start of the next 60 days, the promoter plays it very cool, and turns down requests from his investors to let some of their friends get into the action. He only accepts the initial ten investors for the next 60-day run. At the end of the second 60-day term, he again returns the $1,000 to each of them plus the $100 profit.

At the end of the second 60 days, he has ten delirious

investors, each of whom has ten champing-at-the-bit friends wanting to get in on the action. His nest egg is now down to $3,000.

At the start of the third 60-day run, the promoter, after some pressure, finally "consents" to let each of his initial ten investors invite just two friends into the foray. He now has a fund of $30,000 given him by these investors, and by the end of the third 60-day term, he returns the $1,000 to each of them, plus the $100 profit to each. Naturally, he hasn't bothered to invest the money during the 60-day term, unless to put it into a savings account to earn a bit of interest to cover some of his out-of-pocket expenses.

Six months have elapsed, and the promoter has proven himself unquestionably to his ten initial investors and the 20 additional investors that they've brought in. His original nest egg is down to zero, but he's ready for the kill. In one grand stroke, he invites the ten original investors, plus the 20 additional investors to each come in for another round, and allowing each to invite two additional investors into the throng. He would thus have 90 men putting up $1,000 each, and while they're waiting for the two months to elapse, the promoter has two basic options open to him.

The Invisible Man

One, he can disappear now with the cash in hand; or two, he can try to pyramid his money into an even greater fortune and then disappear. If he chooses this latter course, he'll invite a second level of investors into his scheme before he's due to pay off the first level. He'll use the proceeds paid in by the second level to pay off the first level, thus keeping them happy. Then, before he's due to pay off the second level, he'll invite in the third level, and use the proceeds to pay off the second level and keep them happy. And so it goes forever—for-

ever being until the promoter either gets caught or disappears.

How far the promoter wants to take the scheme depends largely on his own nerve and how large a community he is operating in. Once he's under way, he doesn't even have to seek out victims—greed does it for him, and the victims seek him out.

Ironically, it could be difficult to prove fraud in a scheme such as this. If a victim willingly gives his money to an "investment adviser" to do with as he sees fit and then, upon receiving his money back plus a profit, does it over again, then over again—and is then told by the investment adviser, that "all is lost—the market crashed," what is he to do? Whether the promoter was investing in the stock market, in international currency speculation, in oil-drilling schemes, or whatever, the market can always crash. The promoter could even announce he had invested in what had been a foolproof plan and the blankety-blank promoter of *that* plan had absconded with all the money, leaving everyone holding the bag.

If the victim finds himself in the position of having to say, "Yes, I gave that man my money and allowed him to do with it as he saw fit; I left it totally up to his discretion, come what may," the victim is hard-pressed to come back and say that someone has done him wrong.

While such a scheme is in operation, there's precious little chance that any of the ultimate victims are going to report anything to any authorities; as long as they're on the winning side, albeit temporarily, they're not going to rock the boat and upset their investment. They might admit that if, at the end of the investment period, they don't get their money back, they might go squawking to somebody that they've been taken. But as with most of Snake Oil Sam's other schemes, the built-in time element is his ultimate guarantee of success.

No, the investor won't do anything to jeopardize his investment once it's been made and once he's anticipating the fat returns. And this brings up another curious twist that can occur not just with Ponzi's schemes, but in day-to-day personal and business affairs. In the scheme it works like this: the promoter goes to his investors midway through the term and says, "Look, fellows, a strange twist has come up that might jeopardize your $1,000 investments. The company, or deal, I've invested in has run into a jam. They need more operating capital. If they don't get it they may fold up overnight, and each of your $1,000 investments will be down the tube. But if they get *new* capital they can expand their operation considerably, and not only will your investment be safe but your ultimate return should even be higher. The new capital that they'll need will amount to an additional $500 from each of you."

The horns of a dilemma: either you stand to lose the $1,000 or you pump in another $500 and hope for even better results. What do you do? It's easy to say, "Don't throw good money after bad," but you've already been hooked into this deal and you believe in this guy. Furthermore, human nature dictates that our minds can contemplate profits more easily than they can losses. It's the old story: we let ourselves believe what we *want* to believe, not perhaps what we *should* believe. Thus the following conclusion is valid, whether it's a Ponzi scheme, or a loan to a buddy: any time you put out money with the hope of getting it back, and perhaps with profit, you have to be prepared to answer a further request for additional funds one way or the other. If you're involved in a scheme and you don't know it, you're in trouble. If you've loaned money for a valid need to a valid individual or business, it's up to you to make a careful investigation to determine whether you're throwing away

more good money, or whether the hope really exists of a recovery.

Dare To Be Broke?

Ponzi may have made a name for himself, but Glenn Turner has made a fortune for himself—or so his publicists would have you believe. Turner adapted mass-marketing techniques to some of Ponzi's original ideas and became one of the most highly publicized personalities of the early 1970's. The lawsuits and regulatory embroilments that he has become involved in may serve to keep his name in the public spotlight until the early 1980's. At last count Turner was under indictment, or other legal process, in upwards of 40 separate states plus assorted federal agencies.

Yet in spite of mountains of adverse publicity in the press, his salesmen reportedly continue to seduce new-found prospects with his various programs. Giving all due credit to a man who knows what his true potential might be, Turner once made a classic reply to a reporter's question: when asked if he was worried that his schemes might saturate the available market due to their pyramiding nature, he replied, "Christianity has been trying to saturate the market for 2,000 years, and they've still got a long way to go."

The noose may tighten around Turner's neck, but the imitators that he has spawned can frolic for years on the public's greed and gullibility. And since it has never seemed practical for governments to pass laws to attempt to control such things as greed and gullibility, it's likely that schemes of this nature will be with us for the duration.

Turner's operations are a model for any such program, only the products and individual techniques need be changed to make it look like a whole different arrangement.

Multilevel Distributorships

Ponzi's schemes seem old hat and chain letters sound like the poor man's pleasure. But a "multilevel distributorship" has a ring that would make even Wall Street sit up and take notice. That was the essence of Turner's operation. His first venture was called "Koskot"—"Kosmetics for the Kommunities of Tomorrow." He did indeed create a line of cosmetic products, some of which had a substance called mink-oil mixed into it. Regardless of whatever benefit mink-oil may have had, the sale of cosmetics was only secondary in the Koskot operation. The primary thrust of the scheme was to sell distributorships.

A participant could "invest" up to $5,000 and more on a "regional distributorship." The lure was that he could rapidly recoup his own investment and reap a profit besides by selling sub-distributorships to people in his region. He'd get a hefty percentage of the sub-distributorship's entry fee plus a percentage of sales made by the sub-distributors. The sub-distributors could then seek out additional sub-sub-distributors, ad infinitum. Hardly anyone bothered selling the cosmetics because they were too busy selling sub-distributorships, or trying to. The obvious obstacle to any kind of success is that the market can rapidly become oversaturated with sub-distributors.

I've had lengthy conversations with and letters from participants in the Koskot chains, many of them trying to sell me on the scheme. The sales tactics were, in a word, uncanny. Sales meetings were conducted with an almost evangelical, holy-rollerish type of fervor. Promises of untold riches were preached by a crew of sharply trained pitchmen, and people from all walks of life, rich and poor, sophisticated and unsophisticated, took the bait. There seemed to be so little to lose and so much to gain that not only was the initial convincing an easy

task but, once convinced, a "convert" was unshakable from his belief. Not until he realized that his money was down the drain would he "repent" and realize the error of his ways.

In the early stages the promoters were careful not to leave their takers on their own for too long. Their conviction was reinforced with frequent rallies and sales meetings during which, à la Alcoholics Anonymous, speakers would stand up in front of the crowd and "tell the truth" about their experiences. How many of these speakers were paid shills can't be determined. But one almost-victim told me of her visit to such a rally, at which the pressure was applied to her to invest in a sub-distributorship.

"I couldn't believe it," she said. "The salesmen were romping around the room like a bunch of high school cheerleaders, whooping and hollering about Turner and his program. Turner himself was there, decked out in the wildest costume you've ever seen. He was perched on a high stool on the stage, smiling benevolently as the speaker brought the meeting to a pitch. I all but cracked up when the leader reached the peak of his spiel and said to the audience, 'How many of you people out there would *give up your lives* for Glenn Turner?,' and all around the room people started standing up and raising their hands. I couldn't take it anymore. After that, I had to leave."

With no effective federal laws to control him, and with 50 separate states in which to operate, Turner had ample time to ply his wares across the nation. He might have gone on for better than a decade and might have made as much or more money if he had kept his program fairly quiet. But the public revival meetings and his penchant for publicity soon attracted the authorities. Among the earliest states to take action was New York, where the Attorney General's Office cracked down and achieved a

court order requiring Turner to make restitution to all of the "investors" he had gathered. The total amount of money involved in the restitution order could have been close to $4 million. Then, one by one, other states began to take action against "Johnny Mink-Oil" as he trekked across the country.

Not to be dismayed, Turner shifted his tactics and embarked on a new program which he called "Dare to be Great." The product involved in Dare to be Great was a so-called "motivational course" consisting of a series of cassette tapes and written notes on how one might throw off the shackles of ordinary existence and become "Great." Turner's pitch, which I've heard on tape, had an almost religious appeal to his audiences. Appealing to the instincts, which we all have to some degree, that life might offer better things than we've been accustomed to, he proclaimed that becoming great is a matter of thinking that you can do it. It was like "the little engine that could" in living technicolor. It's a valid concept, known in more scientific circles as psychocybernetics. In a nutshell, it tells us that if we program positive thoughts into our heads, we get positive results; and if we program in negative thoughts, we get negative results.

Turner may have missed his calling. The concept, properly applied on a mass communication basis, could indeed have had a positive effect on many people, much the same that certain religious inspirations can have. But Turner tied it to the root of all evil: money. And as with Koskot, the Dare to be Great concept was not peddled as an individual motivational course but as a distributorship, with all the sub-distributorships and sub-sub-distributorships attached thereto. It was the same gimmick in a different guise, but it was one that people became psychologically locked into, appealing as it did to such primitive emotions and feelings. By now federal agencies such as the Federal Trade Commission

and the Securities Exchange Commission had started to tighten the grip on the Turner operations, and litigation with various states was underway. At one trial, Turner was cited for contempt as a result of throngs of his "followers" crowding the courthouse area carrying banners and chanting in a disruptive manner.

A Study In Pathos

A portrait of the victims of such schemes is a pathetic study. They have been hypnotized to such an extent that they can lose complete track of the reality of the situation. If they lack the ready cash to get involved in the program they are taught how to seek out loans at banks. Bankers who have been subjected to applications from would-be Turner victims are absolutely bemused at the "never-give-up" attitude of these crusaders. They are utterly and totally convinced that the venture will be a huge success, and all but question outright the wisdom of the banker in not putting his depositors' money to work on such "profitable" ventures. No doubt many bankers have been inclined to go along and have been caught in the ripple effect of the schemes.

Perhaps saddest of all is the attitude of the victims who have begun to see the cold light of day, but are still struggling with the belief that they once so firmly held, which is continually reinforced by members of the original sales crew. They staunchly maintain that their leader had set them on the course toward true and lasting prosperity, and that in spite of some tough breaks so far, they're eventually going to break through and make it. When they are confronted with the possibility that all their money may be lost, the enthusiasm in their voices swiftly gives way to a mixture of despair and forlorn hope. But they don't give in. Some—perhaps all too few—finally realize that all is lost and seek help. There is little help in coming, for the workings of the government

agencies are necessarily slow and hopes for restitution are slim.

As in Sam's other modus operandi, the traits common to all of his victims are the same: there is a belief that they can get rich quick, their confidence has been totally won, and there is a reluctance to take corrective action when the first danger signals appear.

Most important, the victims do not seek any outside advice from persons they can trust *before* becoming involved. They are convinced that their own judgment is adequate to weigh and sort the facts and representations —a fatal mistake for anybody embarking into waters that can swiftly run over his head.

The last crushing blow to the victims come when they finally begin to grasp the fact that all, or a large portion, of their life savings has been wiped out. Desperation can easily set in, and I observed such a case firsthand not long ago.

I was on a Saturday morning shopping trip with one of my youngsters, and we stopped for lunch at a hot dog stand in the shopping center. A young couple in their early 20's was sitting at a table near where we placed our orders. The girl struck up a conversation with me by making some complimentary remark about my youngster. I recall smiling and thanking her, whereupon she looked at me as if she knew me and asked if I was a teacher. I thought nothing of such a casual remark, and replied that I was not.

"Then what do you do for a living?" she asked.

"I'm a writer," I replied.

"A writer? Are you making all the money you'd like to make as a writer?" she asked.

Since she was totally unaware that the things I write about are consumers and frauds and how they get together, she wasn't aware that she had tipped her hand right off the bat. In the few minutes that ensued, her

husband urged me to take advantage of something he had to offer that would permit me to double or triple my income. All he asked was that I give him my name and address and let them come over to my house some evening hence for two or three hours to explain the very fascinating program that they had available.

I asked what it was they were selling, since I didn't want to spend two or three hours of an evening listening to some frantic pitch. He declined to say, preferring that I hear firsthand in the comforts of my own home rather than in the hustle-bustle of a shopping center hot dog stand. Suspecting what it was they had to offer, "Could it be mink-oil cosmetics or motivational schemes?"

Their jaws dropped, and they admitted that indeed it was. I must admit I was a bit flustered at being accosted in a public place, and I shot back some relatively innocuous remark about how I'd heard of schemes like that and wasn't in the least bit interested. I didn't want to get embroiled in any kind of discussion or debate.

They immediately came to the defense of all that they had been taught was good and holy, all but daring me to debate with them. I preferred to ignore them but they persisted.

"If you think it's so wrong," the girl insisted, "then tell us specifically why you think we shouldn't be involved," she blurted, begging an argument.

To finally disengage, I remarked that it wasn't any of my business, that it was their money, and that they'd find out sooner or later. Two young faces, twisted in perplexity and frustration, slowly drifted away from the hot dog stand to seek a better selling perch. They were willing to dare to be great, but never thought of the other side of the coin—what it would be like to dare to be broke.

The Numbers Game

There were "get-rich-quick" schemes before Turner, and there will be such schemes after Turner. Turner simply

had the audacity to seek public recognition, and while he may have achieved certain heights, he seems destined to spend many years and countless thousands of dollars trying to extricate himself from legal entanglements and to justify his ways. Other such schemes, keeping to a low profile, might roll along merrily for all the years that Turner is building ulcers.

Some may exist within the vague boundaries of the law, some may straddle the boundaries, and some may be blatantly illegal. They will involve a variation on the basic pyramid scheme, and will involve victims who are seeking to get rich quick.

The basic problem with these schemes is that they involve mathematical odds that defy being beaten. The following pyramid illustrates the number of people that would have to be involved for an investor to break even if he had to sell five distributorships to recoup the cost of his own.

5
25
125
625
3,125
15,625
78,125
390,625
1,953,125
9,765,625
48,828,125
244,140,620

For example, if you were "invited" into the scheme the tenth generation down the line, you, theoretically, would be one of 9,765,625 participants. For all of you to break even, you would have to sell your programs to a total of 48,828,125 new investors. And for *them* to break even, every man, woman, and child in the United States

would be selling sub-distributorships. But to whom?

On a more realistic level, if you apply the pyramid formula to an average-sized American city, there would be 15,625 distributorships at the sixth level down, and for them to break even they would have to create 78,125 new distributors.

Pots and Pans and Suds and Such

It's a question of utterly absurd market saturation. When you consider that in a city of roughly 100,000 population you might have only two or three Ford auto distributors and probably less than half a dozen dairies, bakeries, and equally few legitimate distributors of everything from tobacco products to cosmetics to auto parts, you can see how foolish such a project must be. Market saturation is the name of the game with some of the other schemes. They may hold the line on distributorships, but they might require the participants to purchase an inordinately heavy supply of whatever the product might be—household detergents, kitchenware, auto-cleaning products, and so on. They might utilize similar heavy pressure sales tactics, which emphasize the promise of untold riches if one invests in their scheme.

Further, should one embark upon the program, the actual physical work involved in selling the product can be perilous. Most of the products involved can be bought in comparable quality and comparable prices at local supermarkets, discount houses, direct mail catalogues, or department stores. Some legitimate door-to-door sales ventures, such as Fuller Brush and Avon Cosmetics have built up a wide and profitable clientele. But it's been done over a period of many years, and it has involved hard and diligent efforts by the field salesmen. To come crashing in brand new with a strange product is risky in the ultimate degree. Granted, some may make it over the long run. But the investment required in terms of time and money is enormous.

Anyone considering such a venture should first do a considerable amount of homework in the field to determine what other products of similar nature are available and at what price, how many other distributors there are, how much saturation the market can take, and how many sales will be needed to break even and reach profitable margins. Before one embarks on such an adventure, it might be foolhardy not to first get some actual experience in the field. If you've never done any door-to-door selling, consider getting a position with a firm such as Fuller or Avon, if one is available, to see what the rigors and tribulations are. If you can get involved without making anything more than a token investment for your initial selling kit, you can learn readily what you'd be facing if you had to make a large cash investment and then start selling a relatively unknown product.

If getting rich quick is your aim, you might stand a better chance by packing a large stake and heading for Las Vegas or the nearest racetrack.

Franchises: The Boom that Busted

To perhaps tens of thousands of small investors, one of the sourest memories they'll ever have is of their involvement in the franchise boom, a phenomenon that seems to have peaked in the late '60's, but which could recover with a strong second wind at any time.

Fast food operations, patterned after the enormous success of outfits like McDonalds and Kentucky Fried Chicken, attracted millions of dollars from small investors, often a life savings of a family nearing retirement. The nation was caught up in a frenzy—if it can be cooked and eaten, it can be franchised. Oversaturation of assorted hamburger stands, hot doggeries, roast beef emporia, and the like flooded the byways of the land. Heavily trafficked thoroughfares in many cities became chicken-pocked with a rash of eateries whose low taste in design was matched only by the low taste of the food.

Take-the-money-and-run franchise marketers charged huge sums ($15,000 was considered small for starters), and all they were really selling was a set of blueprints, a "system," and a contract for the provision of paper goods and recipes. Anxious Moms and Pops, who knew as much about restauranting as they did about moonwalking, couldn't get involved fast enough. The salesmen's spiels about low hours and high income often quickly proved to be the reverse—long hours and low income.

Many franchise offerings were flagrantly deceptive; earnings projections were fabricated out of thin air, and profit targets were often absurd.

Only after many bilked investors began to complain did the wheels of government begin to turn slowly towards creating some regulations of an otherwise unregulated industry. Proposed regulations would require franchised offerings to contain a full disclosure of information, rather than pie or hamburger in the sky. As with the stock market, disclosure *does not mean* that the government agency has *approved* of the offering. It only means that the necessary disclosures have been made, and it is again up to the buyer or investor to determine the wisdom of the move.

If you entertain any visions about becoming involved in a franchise operation—be it food or any such thing—there are a number of steps you'd be well-advised to take:

Before you sign a single thing, have all the papers gone over thoroughly by your banker, your accountant, your lawyer, and your insurance man. If you're going into business and spending a lot of money doing it, there's only one way to do it, and that's the right way. The *right way absolutely requires* obtaining all of the professional assistance you can get. The wrong way is to shun such professional assistance, in any degree.

With the help of your professional advisors, determine to the best possible extent the reputation of the fran-

chisor. Talk to other people who are operating the franchise in your own or other cities. Determine if what they're offering can't be obtained in some other way, at a better cost, or at better quality.

If the franchise involves a type of work to which you're unaccustomed, it would be wise to spend a number of months working in that field for a different employer. The rosy glow of the salesman's spiel might make it seem that this type of work is just right for you. But you never know until you get involved whether it's right for you or will be devastating to you. A relatively risk-free way to find out is to work for someone else.

The Not So Wonderful Wizards of Wall Street

The roads that twist and turn through the Concrete Canyons of lower Manhattan are not paved with fanciful yellow bricks. They are paved with a veneer of sweat and blood, shed by the anxious breed that exists by feeding upon, and attempting to satisfy, Mr. and Mrs. America's desire to make more money.

Wall Street serves many fine and honorable purposes. It's the lubricant that helps the wheels of industry move. It produces the funds that allow our towns and cities to build sewers and roads and schools and hospitals and bridges and water treatment plants, and much much more. It produces funds needed by businesses for expansion and new developments and new technology, which in turn creates jobs and wages and meals.

It's been accused of being many things, and perfect isn't one of them.

The aura that emanates from Wall Street is ridden with deceptive tactics, subterfuges, and questionable practices that can and have filled books.

Wall Street might defend itself by saying that, "Anything that's as big and intricate as we are has got to have some flaws in its working parts. The great amount of

good we do more than offsets the few abuses that pop up every now and then. Every industry has its abuses and we're no exception; but we're no worse than anyone else, and we may be better than most."

A rational defense, up to a point. There may be some solace in knowing that in the great stock market catastrophe of 1970, the ones hurt most immediately were the wizards themselves. If the individual brokers and customer representatives were so smart, how come so many of them end up driving cabs to make a living? If the brokerage firms themselves were so astute, how come so many of them folded or were absorbed by bigger fish? And if the exchanges, often and accurately referred to as "private clubs," were so wise, how come the government watchdogs have been bearing down with even greater fury in recent years to create more and more regulation?

Their self-defense would be made still more valid if they added a P.S.: "Our follies might not exist to such a degree if it weren't for the willing cooperation of the millions of investors across the country, who go along with us down the primrose path. Sometimes we lead them with our desire to get rich on commissions. Sometimes they lead us with their desire for a fast buck, which they think we can lead them to.

Let's take a look at some of the follies and deceptions, either Wall Street's or our own, which can cause us harm.

Information: Will-of-the-Wisp

Everyone, from the wizards themselves to the man on the street, suffers in varying degrees from a Grand Delusion: that there exists a body of factual information upon which valid decisions can be made.

Trends, yes. Some are more discernible than others, and some are more predictable than others.

Past records, yes. Some may offer meaningful clues as to the future, and some are totally meaningless.

Projections, yes. They can be based on anything ranging from a careful evaluation of trends and past performance, to wishful thinking, all the way to fantasy.

But solid, hard, immediate, concrete facts, no.

Facts form the basis for accurate action. If you're at sea level, and you heat water to 212°F., it will boil. Fact. The boiling water will throw off steam which, if captured in a cylinder of certain size, will exert a specific pressure against the inner walls of that cylinder. Fact. By rigging an accurately designed piston to the end of the steam-filled cylinder, you can create a certain thrust which can generate enough force to drive an engine. Fact.

But the trends and past history and projections that constitute the body of knowledge on Wall Street are *not* the basis for predictable action. They provide the basis for a *range of possible results* and nothing more.

An observer—perhaps a broker, perhaps a financial analyst, perhaps a man on the street—takes note of the possible actions that can occur and reaches a conclusion. His conclusion is largely subjective. He evaluates the evidence then applies his own personal feelings, hunches, and past performance in making comparable evaluations. He makes his evaluations known and other people start to react to his evaluations, perhaps by buying or selling stock in a given company. We thus have a chain of reactions to reactions to reactions, and the element of fact so necessary for making valid decisions is generations removed from the ultimate decision.

There are basically four bodies of information which can exist at any given time about any given company. These bodies of information are an indeterminate mixture of trends, past performance records, projections, and what some might call facts. The four areas are: 1) what

the company *must* tell us about itself; 2) what the company *chooses* to tell us about itself; 3) what independent financial analysts are *able* to tell us about the company; and 4) what we *don't know* about the company. Let's take a closer look at each of these four areas.

1. *What the company must tell us.* At the time a company first decides to sell its stock to the public at large, the law requires that it must issue a "prospectus." The prospectus must set forth in detail a great deal about the company, including information on its officers and directors, its past earnings records, its balance sheet, the risks involved in the company's business, any lawsuits in which the company might be involved, and much more. While these matters must be disclosed as a matter of law, the disclosure of them does *not* constitute approval by any governmental agency of the quality of the stock, or of the potential of the company itself. A common form of self-deception in investing is our apparent belief that because a company has cleared its stock issue through the SEC that it is, in effect, "approved" by this government agency. Not so. All that the company has done has been to disclose all that the SEC requires it to disclose. If the prospectus states that the risks inherent in the future of the company are enormous, and you buy the stock and take a bath, don't say you weren't asking for it.

2. *Information that the company chooses to give us.* Once the initial issue of stock has taken place, the company need not issue another prospectus unless it issues stock again at some time in the future. Thus the prospectus of a given company is effectively out of date shortly after it is issued. After that time the company will issue financial reports to its stockholders and the business press, which generally sets forth statistical information about earnings for the previous quarter or

year. If the company chooses, it may issue more detailed information, but unless the stockholders demand it, there's no requirement to do so. The company from time to time might issue newsworthy information to the press relating to past earnings, projected future earnings, the signing of manufacturing contracts, news of mergers and acquisitions, and so on. While a company could be in hot water for failing to disclose information which could affect the value of its stock, it's not easy to draw a line between what information might fall into this category and what might not.

3. *What the financial analysts are able to tell us.* Most brokerage firms maintain a staff of analysts whose basic job is to seek out and analyze the "truth" about what's really happening with the company, with its competitors, with the marketplace in general. An analyst investigating a given company might spend many hours poring over published reports, and he might spend a matter of days visiting the company, interviewing its officers, examining records, and exploring the physical facilities. He may just scratch the surface, or he may strike a motherlode of information and dig down into the depths of what's really happening to the company. But it's reasonable to assume that if management has information that it wants kept away from the analyst it could throw up enough smoke screens and blind alleys to keep even the most astute analyst from getting at the nitty-gritty truth.

4. *What we never find out about the company.* Aha! Here is the stewpot where the rumors and hunches and tips boil and bubble. All companies have corporate secrets and skeletons in the closet that they intend to keep from the public eye. Since a very large portion of activity in the stock market is motivated by information in this fourth category—rumors, tips, hunches—it's per-

haps the most important segment of all. Very often a stock will go up or down based on the beginning stages of a rumor. If the rumor becomes spread broadly enough, the company might be forced into a position either to admit or deny the truth behind the rumor, thus sending the stock price into more hiccoughs. If this analysis leads you to believe that stock market success or failure is based predominately on luck rather than wisdom, you're already a step ahead of the game.

National Pripichik and Gumball

Now let's look at an example of how these areas of information can come into play.

What the company chooses to tell us. National Pripichik and Gumball announces with great fanfare to the press that its third quarter earnings enjoyed a 32 percent jump over last year's third quarter earnings. Further, it proclaims, they have just signed a major $4-million contract with the government of Gabon to become the exclusive gumball distributor in all of the government's office buildings for the next ten years. Since Gabon's civil servants are notoriously addicted to gumballs, the president of the company concludes that next year's earnings should spurt considerably.

What the financial analysts are able to tell us. A prestigious brokerage firm dispatches its star financial analyst to examine the National Pripichik and Gumball situation. Within a month he announces to the public the following: that while third quarter earnings were 32 percent over last year's third quarter earnings, it should be noted that last year's third quarter earnings were the lowest in the company's history; in fact, they registered a tremendous deficit. Therefore this year's third quarter earnings can actually be construed as being the second lowest third quarter in the company's history—a far cry from anything to shout about.

Also, while the contract with the government of Gabon is real, it appears that a chicle-pickers strike in Brazil is imminent and National Pripichik and Gumball might not be able to get the needed supply of chicle to fulfill their contract on time. Penalty clauses built into the contract could then have a severe downward effect on the company's earnings.

Furthermore, the government of Gabon has imposed extremely rigid specifications on the gumballs, which current manufacturing facilities at the company might not be able to produce. If that's the case the company will have to spend considerable money for new production equipment, which could also seriously affect the earnings. The effect of this announcement drives the price of the stock rapidly downward.

What we're not able to find out about the company. The head of National Pripichick and Gumball is a rather clever fellow, and he capably planted the information that he knew the financial analyst would "discover" on his once-over-lightly visit. In fact, he fully expected the information to drive the stock downward—that's what he was hoping for. What's the method to his madness?

He knew well the reason for the disastrous earnings results in previous years. It was a large bottleneck in the production department, caused mainly by his derelict brother-in-law who was vice-president in charge of production. He couldn't summarily remove his brother-in-law from that position without suffering undue agonies from his wife. He had thus manipulated to have his brother-in-law caught in a flagrant embarrassment with a topless go-go dancer, thus giving him reason to discharge the unworthy employee.

He knew that once the brother-in-law was gone, the reins of production could be put into the hands of someone far more capable, and the profits should begin to flow in. He also knew that a proposed merger discussion

with Amalgamated Window Shades hinged on the presence or absence of the brother-in-law. With the brother-in-law gone, Amalgamated would very soon make good on their top-secret offer to buy out the company, and at a handsome price.

The president was fully aware of the chicle-pickers' impending strike in Brazil. He had made contingent arrangements with a chicle plantation in Yucatan to supply the ingredient should the Brazilians strike. He kept this to himself, since he wanted the financial analyst's announcement to drive the price down.

He also knew of the rigid specifications of the Gabon government, and was aware that no other gumball manufacturer in the world could produce according to those specifications. Accordingly, he had convinced the Gabon government to put enough advance funds in escrow to cover the cost of any new manufacturing equipment that might be needed. Thus the loss potential was all but eliminated.

Lastly, he knew that his research and development department had just reached a major breakthrough on a Low Calorie Gumball, and that the announcement of it would shake the world of confectionery.

This announcement, coupled with the planned buy-out by Amalgamated Window Shade at a previously agreed upon price, would send the stock to record highs. In the interim, the announcement by the financial analyst would have caused the stock to plummet, and the president could buy up large blocks of it at a depressed price, then turn a huge profit when the Low Calorie Gumball and merger announcements were made.

Insider's Secrets: America's Most "Acceptable" Fraud?

The president of National Pripichik and Gumball, and heaven knows how many others, are perpetrating one of the most galling frauds on the American public: trading

on inside information. Whether someone wants to "get rich quick" in the stock market, or just wants to build up a conservative, comfortable nest egg for retirement, he is faced with this form of manipulation over which he has no control and which could cause him serious losses. The basic false pretense is that the stock market is supposed to be a "fair" market. That means theoretically that the fluctuations in prices are due to fluctuations in the law of supply and demand. Lacking adequate controls over this type of inside information trading, can the market truly be considered "fair?"

A detailed investigation disclosed by *The Wall Street Journal* (Oct. 31, 1972, page 1, column 6) indicates that "incidents of it are frequent and blatant... and the problem appears to be growing."

Everybody is aware of the problem, but it's tough to do anything about solving it. While it's illegal for someone, be he a corporate insider or someone he tips off, to act on such information, there are no clear-cut court decisions or SEC guidelines that precisely define just what types of actions are specifically illegal. There are thousands of securities traded on the nation's stock exchanges, and shares on the New York Stock Exchange alone often total more than 20 million per day. The SEC, the watchdog agency, is inadequately staffed to even begin coping with this volume of trading. Furthermore, anyone intending to be devious can set up a chain of dummy stockholders through which he can buy and sell. A carefully woven web of dummies can baffle even the most careful SEC investigator.

The machinations of little National Pripichik and Gumball might be pale by comparison with some of the real schemes, as recounted in the *Journal* exposé. The first big scandal in recent years involved Texas Gulf Sulphur Company in 1965. The firm had discovered a vein of rich ore, and a number of officials and employees

knew of it before word leaked out to the public. In addition to their own trades, they tipped off certain other key outsiders, who also profited greatly when the public learned of the discovery. Years passed before the SEC was able to bring the matter into the courts, where some of the insiders were eventually deprived of their profits.

The next big case occurred in 1968, when some inside bad news about Douglas Aircraft Company was leaked to certain mutual funds. A slap on the wrist was administered to the wrongdoers, and the firm accused of leaking the information—Merrill, Lynch, Pierce, Fenner, and Smith—consented to penalties but admitted no wrongdoings, according to the *Journal.*

The next instance, a "spectacular," involved the giant Penn-Central Company, which announced its bankruptcy on June 21, 1970. Prior to that time, fifteen officers in the firm sold more than 40,000 shares; and within 90 days immediately prior to the bankruptcy announcement, a number of banks and other investors were reported to have sold almost 2 million shares of Penn-Central stock based on inside information of the company's condition. The *Journal's* article cites a number of other instances involving major corporations where investigations are underway.

The problem is compounded by the fact that since everyone, including the public, is aware of this hanky-panky going on, everyone tries to get into the act. Often, supposedly inside information does leak down to the man on the street. But by the time it does it can either be too late to act or the information can be inaccurate. It's like that party game, where a bunch of people stand in a circle and number one whispers a phrase to number two, who repeats it as best he can to number three, and so on around the circle. By the time the whispered phrase gets to the last person, everyone has a big laugh as to how garbled it became en route. The same is true of

much of the information that filters down to the public from the Canyons of Wall Street.

The perpetrators of this kind of fraud are in the same kind of family as the shills at land sales meetings who get everyone into a buying mood, or the plants at auctions who bid up the price against a legitimate bidder, or the "cheerleaders" at sales meetings who create a false sense of enthusiasm in the potential suckers. But because they represent "big business," because there is an air of legitimacy about their type of business, because we are thus "confident" in them and their institutions, we let ourselves get gulled into becoming the victim.

Some Selling Tactics

If the first strike against the public investor is his difficulty in sorting out reliable data, the second strike can whiz by him in the form of a broker who employs devious tactics to "churn" the customer's money for the purpose of earning commissions.

A good stockbroker can be a valuable ally. His best credential is a job well done for his clients, and he knows that a good job will earn him other clients. Then there are those who operate on the principle that they should make all they can while the making is good, and worry about the consequences later. Perhaps those are the ones who ended up driving taxicabs and selling hot dogs when the market crashed in 1970.

One regrettable aspect about the stockbrokerage business—and the same is true in the insurance industry—is that the customer's representative doesn't make any money unless and until he effects a sale. Thus there is a strong potential for conflict of interest when the broker has to advise you as to what might really be best for *you*, as opposed to what might be best for *him*. He could spend considerable time analyzing your portfolio, only to conclude in all honesty that you should not make any

changes at the present. If he does tell you this, his integrity cannot be questioned. But if he does tell you, he has spent a lot of time and made nothing. All brokers face the same problem, and it's up to you to determine the ability of your own broker to cope with this problem, and then act accordingly.

When the weaker side of the broker succumbs to this conflict, there are a number of devices he can employ to generate commissions from his gullible customers. The most common device is called "churning," and it simply means that a broker will induce a customer to get in and out of stocks at a very rapid rate, probably churning up more commissions for himself than profits or income for his client. In doing this he must choose his words very carefully in order to avoid criticism or punishment from his firm, from the National Association of Security Dealers, from the stock exchanges, or from the SEC, all of whom exercise some level of regulation over the behavior of brokers, but none of whom can do anything to protect the customer *unless the matter is called to their attention.*

The broker's approach may be something like this:

"Now, I know it's been less than a week since we got into Amalgamated Window Shades, and you're probably worried about the two-point drop it's suffered since then. We shouldn't worry about that because, as I told you, a short-term correction might be needed before it takes off. It would probably be wise to stick with it, but I just wanted to call something else to your attention that just came over the wire. We've gotten some word from our New York office that something big is about to happen with National Pripichik and Gumball. I don't want you to think I'm trying to talk you into anything, but absolutely *everybody* I've spoken to this morning is jumping on the bandwagon! I've already put through orders for 2,000 shares since the opening bell this morning, and this

is the first chance I've had to call and tell you about it. Do you think we ought to get out of Window Shades and into Gumballs?" (Note: The use of the word "we" by brokers reminds me of the story of the Lone Ranger and Tonto when they found themselves standing on a lonesome plain, watching themselves become surrounded by a tribe of savage Indians. "What do we do now?" the worried Lone Ranger asked Tonto. "What's this 'we' stuff, Kimosabe?" Tonto replied.)

Another churning tactic might be: "I'm sure, Mrs. Jones, that you're very happy with the regular, steady 4 percent yield you're getting on your investment in Old Reliable Thundermugs, Ltd., and I know that you don't want to get involved in anything speculative. But I wouldn't be doing my job if I didn't call this new development to your attention. I was up till 3:00 A.M. last night reading through a prospectus on an oil-drilling venture. Not only does it offer up to a 20 percent return on your money, but also tax shelters through depreciation allowances and deductions for drilling expenses. All told, if things go right you can double your money in three years. There are risks involved, but as I see it the chance for excellent gains can't be overlooked. Think of that, Mrs. Jones—20 percent return on your money. That's certainly a good bit better than you're doing now, isn't it?"

The easy-money mosquito takes its bite, and suddenly you find that you have an itch that you can scratch in only one way.

The mutual fund industry was replete with such abuses, particularly back in the high-flying days of the late '60s. Some of these tactics may have disappeared with the attrition of salesmen in the industry, but while they may be temporarily gone they're not forgotten. They could come back with a vengeance. Typical of such tactics was the fast-talking salesman who would churn

unwitting customers from one fund into another during a short period of time, lopping off an 8½ percent commission each time.

Equally damaging, and some folks will feel the effect for years, were salesmen who convinced people to give up other forms of investments such as savings accounts to get into the "go-go" funds, whose performance graphs looked like the steepest ascent of Mt. Everest.

Such investors may have been unaware of the importance of one major caution when it comes to listening to such salesmen: past performance is not a guarantee of future performance; 1970 proved this in a way that won't soon be forgotten—or shouldn't be.

The third strike against the small investor is his own inability to comprehend the workings of the market, and his failure to clearly define his own investment objectives and stick with them. Here is another area in which we can grievously deceive ourselves.

So it goes with Snake Oil Sam and his "get-rich-quick" schemes. The odds are stacked against us, but we still play the game. It's bad enough that there may be others trying to pull the wool over our eyes or the wallets out of our pockets. If we cooperate with them, either through lack of homework or greed, we really can't deny at least part of the blame if things go wrong.

PART TWO:

THE CASTLE IS UNDER SIEGE—HOME IMPROVEMENT RACKETS. HOW TO SPOT THEM, AND HOW TO AVOID THEM

A man's home is his castle. It's also one of Snake Oil Sam's favorite targets. Home improvement rackets have been estimated to be good for over a billion dollars per year. Not only are the stakes quite large, but the confusion, legal and otherwise, can be most devastating.

Note the similar patterns that emerge in the following three case histories—stories that might almost be amusing if, in fact, they were not true.

The Squirrels

She was an elderly widow living alone in the old family homestead, a large three-story frame structure surrounded by old, overhanging oak trees. Though she was financially secure, the loneliness of her days left her an easy mark for the man who could win her confidence.

The home improvement salesman at the door was well-trained—he had a briefcase full of everything from siding to patios to kitchen remodeling plans. But he knew that his first job was to win the mark's confidence totally and completely. She wanted to enjoy a cup of tea; he was willing to "enjoy" a cup of tea. She wanted to chat; he sat and chatted. He was filling some lonesome hours with pleasant company, and the longer he stayed the more firmly he would have her in the palm of his hand.

He let her do most of the talking; people who live

alone and seldom have folks to talk to are often avid talkers, and they appreciate avid listeners. She talked about her husband, her children whom she doesn't see much anymore, and her home. She talked about the antique furniture she used to collect, and how it has begun to worry her.

The spark. The first opening. "What bothers you about it?" asks the salesman, showing concern for his "friend's" problem.

"I have it all stored in my attic," the woman explained, "and the squirrels that live in these oak trees around the house can jump from the trees to the roof and get into the attic. I'm scared to death they'll gnaw away at all that furniture."

From that point on, the salesman's job was easy. Whether the antique furniture had any true value or not remains unknown. The sentimental value was enough to get the poor woman in a tizzy over the welfare of the pieces. Perhaps she had not thought that a few dollars worth of window screening or similar material could have blocked up the holes that the squirrels used to get into the attic. Or some chemical repellent, properly placed, could have kept the squirrels at bay. Such suggestions, however, would have brought the salesman nothing for his hours spent listening to the lady's tales of woe.

"I've got just the thing for you," the salesman said, watching the woman's face light up in appreciation. "I can install some squirrel deflectors on your roof and that will solve the problem."

He explained the plan in detail, and drew up a contract which she signed on the spot. Sometime later the squirrel deflectors were installed: at random places on the old roof had been put sheets of shiny aluminum, each a few feet wide and about one foot high. The theory, according to the salesman, was that the squirrels who were about to jump from the branches onto the roof would be blinded

by the sun glinting off the deflectors, so they wouldn't be able to land on the roof and instead would crash to the ground below. The salesman did not provide the woman with instructions on how to avoid injury from the falling squirrels; she seemed happy enough to know that the squirrels wouldn't make it over. Nor was she concerned that the squirrels might be so venturesome as to try their leaps at night when the sun wasn't shining.

The only person blinded by the deflectors was the woman herself—the contract she signed cost her $1,500. Furthermore, the deflectors had been installed in such a shabby manner that her roof began to leak profusely. The story came to my attention through a legitimate roofing contractor whom she had called at last to repair all the damage. Even as she had related the story to the roofing contractor there was a question as to whether or not she realized how she had been victimized.

The Furnace

The man was sitting on his front porch enjoying a summer weekend afternoon. He was a skilled worker and a good handyman, but this particular afternoon was reserved for relaxation.

Presently an eager and honest-looking young lad came trudging down the street laden with a variety of tools. Covered as he was from top to bottom with soot, it was obvious that he had been hard at work doing something. He approached the man on the porch and offered to clean out his furnace so it would be spic and span when the winter heating season arrived. The man was more struck by the energy and enthusiasm of the young lad than he was by the need to have his furnace cleaned out, but the price seemed right so he gave the lad the go-ahead. An hour or so later the lad emerged from the cellar with baskets of soot and another layer upon him-

self. He invited the homeowner to investigate the job, but the homeowner felt confident that the job had been done properly so he paid the lad, who left with a bright thank-you.

Sometime later an honest-looking well-dressed man approached the house and addressed the man. He explained that he was in charge of a crew of young men who were out cleaning furnaces in the neighborhood, and could he please take a look at the furnace to make sure that the boy had done the job properly. The homeowner gladly showed the man into the basement, where he inspected the furnace, nodded with approval, and left a few minutes later.

The following day a third member of the team came to call. He proclaimed that he was a "furnace inspector" and flashed some sort of badge to verify his claim. He explained that he was checking up on the supervisor who was keeping tabs on the fleet of boys, and asked if he could make an inspection of the furnace. This natural progression of events seemed not to raise any doubts in the homeowner's mind and he permitted the "furnace inspector" to go into the basement. A few minutes later the "furnace inspector" came out sadly shaking his head and jotting something in a notebook.

"I'm afraid," the inspector told the homeowner, "that I have to condemn your furnace. There's a crack in part of the structure which could . . ."

The homeowner felt his jaw drop. Everything seemed quite legitimate. The furnace had been properly cleaned, properly inspected, and now apparently it was being properly condemned. The inspector took him into the basement and with the aid of a flashlight showed him what appeared to be a hairline fracture in some part of the furnace. The barrage of warnings—"fumes leaking" . . . "chance of fire" . . . and so on—were all the convincing the homeowner needed that the situation should be corrected.

The furnace inspector regretted to say that he thought the thing could not be repaired, that to be completely on the safe side it should be completely replaced. As an unofficial favor to the homeowner he quickly drew up a list of specifications for a replacement furnace and suggested that the homeowner arrange for the replacement at the earliest possible time, to avoid running into a cold snap which could prove to be the death of his family.

Shortly thereafter the number two man (the one who was inspecting the fleet of boys) reappeared on the scene. He had just heard (via an unexplained medium) that his furnace had been condemned, and was in need of replacement. Could he, he wondered, help out? The dazed homeowner pulled out the specifications as given to him by the official "inspector" and the stranger looked at it with a broad smile.

"Why I just happen to be affiliated with a firm that sells furnaces that meet those specifications right on the button."

Before long a contract was signed for a new furnace. Cost, including financing, was almost $2,000.

Within a few days the job had been completed and the old parts were removed. Months passed, during which the homeowner was dutifully making payments on his new furnace. He still had not suspected that anything was amiss. Then he somehow learned that the new furnace, which was a name brand, could be purchased and installed from a local heating contractor for far less than he had paid. He contacted the contractor and was indeed dismayed to learn that the crack in his furnace was in fact nothing that could have caused him any problem and that the replacement had been totally unnecessary. His first recourse was to find the firm that had installed the new furnace, but they had ceased to exist.

He came to me seeking legal counsel as to how he could get out of the contract which required him to make the payments. He admitted that he had taken the con

men at their word, and had done absolutely no investigation on his own with regard to the "condemnation of the furnace." Since the contract had been assigned to a third party (see the discussion on the Holder in Due Course Doctrine in Part Six), there was little that could be done to get him off the contract.

The dazed look on the man's face as he told the story was unforgettable.

The Deed

The couple owned a modest but pleasant house, which was in need of some repairs—or at least so they were told by a home improvement salesman. They had signed a contract for roughly $1,000 worth of various repairs and in the course of the sales pitching and signing they also signed some other documents, not knowing what they were.

The work had been done in accordance with the specifications, and the couple was making payments on their contract. One day the couple came to see me, both trembling, the wife in tears. Not knowing the legal jargon, they explained as best they could that they wanted to get the house back. It appeared to me that they had become delinquent in their payments, and were under threat of foreclosure. I began to explain that if they could bring their payments up to date, there should be no problem in avoiding foreclosure.

They then showed me the thick envelope of papers that they had brought along and I learned the following:

That among the papers they had signed when they entered into the deal was a deed to the house. The mortgage agreement they had signed stated that if they should fall behind by just a few days in their payments the dealers would have the right to record the signed deed and thus become owners of the house. This they had in fact done. On the surface the home improvement

promoters now owned the house outright, and they were demanding the sum of $3,800 to give it back to its rightful owners.

The story was too wild and woolly to believe, but it was true. The promoters had taken the chance that these poor folks would be intimidated into refinancing the house and paying them the sum demanded and that they would not see an attorney in the process, since they hadn't taken advantage of legal counsel up to that point.

Fortunately a few phone calls were able to resolve the matter to the client's satisfaction, without the need of going through a full-fledged lawsuit (which I'm confident would have ended up in their favor, but at no small cost to them).

As unlikely as these stories may seen, they are true and all too typical of the type of situation that can arise in home improvement rackets.

Confidence: The Name of the Game

The basic pattern that appears in these three cases—plus virtually every other instance of home improvement racketeering—is confidence. The promoter has by one means or another won the confidence of the mark. The mark then will do virtually anything the salesman says, without investigation or consideration of the consequences.

Naturally when you do business with anybody, you want to have confidence in him. But consider the different kind of confidence that is aroused by the con man as opposed to the legitimate businessman. The con man has created a false aura of confidence based on glib conversation, telling you what you want to hear and perhaps offering you something for nothing, or a lot for a little. The confidence that is instilled by the legitimate businessman is based on a sound reputation earned by hard work and honorable dealings in the community.

This is the kind of confidence that can be checked and double-checked by personal references and business references.

Why do the pushers of home improvement rackets have such an easy time gaining our confidence? Our homes are our castles, and we, including myself, rightfully want to be proud of them. We want to have all the niceties that we can afford, and if luxuries are within our grasp we may want those, too. Here before us stands a man with promises to satisfy all these needs. We begin to like him.

Generally speaking, while we may be good homemakers and handymen, there is a great aura of mystery around much of our house and its structural apparatus. Indeed, when we come right down to it we all have to admit there is quite a lot we don't know when it comes to the house and its components. Here before us stands a man who claims to have all the technical expertise needed to solve our problems. We begin to become fond of him.

If we do want to accomplish certain home improvements we would like to do it with a minimum of difficulty and at the lowest possible cost. We've heard stories about running around, getting bids and specifications, signing contracts, and a lot of other paperwork. We've also heard what a headache it can be getting comparable prices on the work to be done and dealing with contractors who, though reputable, seem to be doing us a favor by coming to the job every day. Here before us is a man who offers a no-pain, no-strain way of getting the job done at a cost that certainly seems too good to be true.

If up to this point he has handled himself properly and has not irritated us by being pushy or overbearing, he may well have us in the palm of his hand. He has won our confidence. We will do anything for him.

Red Flags to Watch For

If the salesman has won your confidence to this extent, his job is downhill all the way from that point on. But there are still some signals you can spot that should alert you to the fact that you may be dealing from weakness. Watch out for the following patterns:

A. *A knock at the door:* the salesman has sought you out, rather than vice versa. You may have responded to a pitch over the phone or through the mail, but more likely he has simply appeared on your doorstep. His opening pitch very probably will be that he is selling one specific product. This product might be something that all families might crave, such as a swimming pool, a back patio, an outdoor gas barbeque, or something similar. Whether you have one or not, or whether you want one or not, his spiel might be just enough to get him inside the door, which is his main objective. Or he might offer a product which, by his quick sizing up of your house, he knows you are in need of, such as a paint job, new gutters and downspouts, landscaping, and so on. Once inside the door, he is prepared with a wide array of work to do for you. In fact, if you press him you'll find that there's very little that he *can't* do—or so he'll say.

Warning #1

The salesman who comes to your door is prepared in advance and he knows that you are *not* prepared. This gives him a tremendous psychological advantage. He has anticipated all your questions and all your resistance. You don't know what he's going to come up with next, but he knows very well what your reaction will be to anything he says, and he's ready to roll with his next come-on.

Warning #2

The salesman may have come after your response to an advertisement, such as in the newspapers or on television. Legitimate, reputable contractors also advertise. How do you know if the fellow you're talking to is legitimate or is one of Snake Oil Sam's lieutenants? At this point you have two defenses. First, you must examine all the other patterns that may or may not have shown up in his presentation. It takes careful judgment, followed by careful research into the firm's business reputation in the community, to determine with whom you're dealing. Your second defense will come when you are following the tried and true course of obtaining home improvements: collecting legitimate bids from legitimate contractors based on tightly-drawn specifications. All of which points to the old maxim: don't sign any papers until you've obtained all of the requisite bids, which will be discussed later in this part.

B. *Too good to be true:* the salesman will offer a deal that will seem "too good to be true." There are a number of variations on this ploy. Perhaps the most common is the "model home" scheme. Here's how it works:

"We've chosen your home as the model home for the neighborhood and we want to install this marvelous aluminum siding at a fantastically low price—we'll give you this special deal if you just promise us one thing—that you'll let your neighbors look at the house and see what a beautiful home it is once the siding has been completed."

Or, "We're conducting a special advertising program in this neighborhood, and we've chosen you to help us make it a success. If you agree to have us do this job for you at a certain price, we will pay you a commission for every other job we sell based on your references. If you

get ten of your friends and neighbors to buy the same job from us, you will have received your complete job free because of the commissions you will have earned."

Pitches such as these are among the oldest in Snake Oil Sam's entire bag of tricks, but they still continue to work like a charm. The "fantastic price" that is offered in the basic model home pitch could well be much higher than what the same job would cost through a reputable contractor. But the aura of "someting special" seems to close the prospect's mind to further inquiry. The referral scheme, used in many different areas of consumer fraud, is usually out-and-out hokum. The homeowner that swallows such bait is bound to find that nobody else is interested in obtaining the same terrific deal and he is stuck with having paid the full price, and no commissions will be coming to him. If the salesman has the gall to use the referral scheme, it's certainly within his grasp to create fictitious other people who have "profited" by the same program: "Just look at this testimonial from Mr. Jones over in Center City. He took our deal and ended up *making* $700 by referrals. Here's a letter from him," and so it goes.

"Too good to be true" deals have the potential for massive misrepresentations. In addition to the above, you might also find that "special reduced prices" aren't really reduced at all. In fact, the items have no regular price, and they fluctuate from house to house depending on what the salesman thinks the traffic will bear.

C. *The "perfect" guarantee:* the materials and their installation might be accompanied by an "unconditional lifetime money-back guarantee." The guarantee is only as good as its written statements, and only as good as the ability of the guarantor to perform. If there is to be a guarantee it should be spelled out in explicit detail, and you should understand exactly what is and what is not

guaranteed. Even though the guarantee might appear to be iron-clad, how about the ability of the firm to honor it? If they're not in business a month or a year after your job is completed, the best guarantee in the world is meaningless.

D. *Big savings:* there may be representations that the work will save you large sums on your fuel costs, maintenance costs, and so on. This may look good on paper or sound good coming out of the salesman's mouth, but there's absolutely no assurance that you will save a penny because of the work. As a matter of fact, there's no way of knowing the job will create savings for you until after the job is completed and you've gone through enough time to determine whether or not there are savings. Such statements, unless backed up by firm and convincing engineering evidence, should be weighed accordingly.

E. *To last forever:* there may be representations that materials such as aluminum siding, and the like, are "maintenance-free forever." No substance yet discovered by science and available to the average homeowner is maintenance-free forever.

F. *One low lump sum:* you may be told that one flat sum will cover all of the work indicated by the salesman. There is simply no way that a contractor can quote a flat sum without a careful detailed study of the premises and the work to be done. The legitimate contractor knows that until he does such an analysis he can't determine what hidden problems he might find lurking in the woodwork, the foundation, the walls, and so on. Thus the "lump sum" that seems appealing must be based either on the contractor's own foolishness, or it's based on a built-in amount to cover him for any contingencies. If the latter is the case, there is an excellent chance you're

paying more for the work than you would if the job were properly specified and bid upon.

The files of the Federal Trade Commission and other similar agencies bulge with false and misleading statements such as those listed above. "Too good to be true" simply isn't true. It's a warning signal that should be watched and followed with the utmost care.

G. *Sign up now or never:* the salesman will be very anxious to get you to sign up right away. He knows that if he doesn't get your signature on the dotted line right now, and you have time to think about the deal, get other figures, talk to other people, he may have lost you. This is where the pressure will begin. He may try to convince you that getting other prices will be a waste of your own time, that his price is certainly the lowest. He may try to talk you out of thinking about it. "What," he may ask, "are you going to think about?" And you really don't know specifically what you're going to think about—you just told him that to put him off—but he pursues you with vigor. He may start throwing in more "extra added attractions" in order to clinch the deal. Don't worry that he's giving away something for nothing; these extras are built into the price of the deal at the outset.

His biggest attempt at a clincher might be to tell you that the price is good tonight only, and that tomorrow it will be 30 percent more. This "now or never" kind of pressure may sound convincing. He may tell you that the work crews are so overloaded they won't be able to take this low price deal after tonight; that the materials may be in such short supply; that the special price is good only for tonight; that the special advertising program they've embarked upon ends at midnight tonight, or something similar. Note well: where a legitimate contractor is concerned, there's no job that can't be contracted for a day or two later as well as it can at the moment. If you feel

that by not signing you're losing out on something special, you had better be prepared for the worst.

H. *"Don't you trust me?":* the salesman may make too much of a thing about his company's credentials. The reputable contractor's credentials will speak for themselves—how long he has been in business, other jobs that he has performed, his reputation for integrity and resolving complaints quickly and equitably.

The disreputable home improvement contractor will not have these things going for him, and he will try to compensate by creating other credentials. You can well expect that he has opened a bank account and very possibly joined the local Chamber of Commerce and Better Business Bureau. He may have also obtained good credit references with various suppliers in the area. These hallmarks of legitimacy make it difficult to spot the con man from the honest businessman, since such credentials should apply equally to both. It's necessary for you to look behind the credentials: can you spot the other warning signals, and do the credentials end with these simple name-dropping devices?

Another common ploy used to gain respectability involves the use of major brand names such as U.S. Steel, Reynolds Aluminum, and others. There are hundreds of cases over past years involving confidence promoters using the names of such national firms to convince customers that they themselves are legitimate. As a matter of fact, it's been found that the promoters are not, as they represent, "special franchisees" of the brand name manufacturers. The impression given is that the promoter is in direct alliance with the manufacturer, with the inference that such national firms certainly wouldn't condone anything but the highest quality workmanship with regard to their products, and thus the salesman must be of the highest repute.

In fact, anybody can go out and buy these brand name products. Also, many homeowners have been bilked into believing that the contractor will use such brand name products, and when the job is done they find that inferior brands have been used.

If one of these warning signals surfaces, you should have reason to believe that the other flaws will be present and you should seek them out. The dangers of dealing with the wrong home improvement contractor are many and expensive. You could find yourself with shabby workmanship and inferior materials. You could find yourself with no work done at all, and your cash payment vanished into thin air. You could find yourself with reasonable materials, but at an exceptionally inflated price. You could find that your home has been damaged by careless, unconcerned workmen. You could find your credit impaired by becoming involved with a nonlocal finance company who will listen to no excuse if payments are as much as a minute late.

The Adventures of Peat-Moss Man

Faster than a speeding getaway truck! More powerful than the aroma of a ton of fresh manure on your lawn! It's Peat-Moss Man, one of the sharpest of the hit-and-run breed of home improvement frauds.

This is an area of swindling that doesn't involve the drawn-out process of a salesman's spiel, contracts, financing documents, and the like. These here-today-gone-tomorrow guys operate out of an ancient truck that can cover an immense amount of territory in a single afternoon. Perhaps most common are the "driveway sealer" jobs.

A typical pitch: a grimy truck pulls up in front of your house, and the driver comes to your door announcing that he has just completed a driveway sealing job in the neighborhood and has enough extra material left over for

one more driveway. He can do your drive for the unbelievably low price of just $25, and you'll have the slickest-looking driveway in the neighborhood. Chances are this will be done during the daytime when the man of the house is at work, and the housewife, who may be unaware of blacktop technology, thinks she is indeed getting a terrific buy. About twenty minutes later there's another knock on the door, and there is your driveway looking as slick and shiny as you could have ever imagined.

The driver is smiling proudly, and you write out your check and give it to him. Even the man of the house might be pleased when he comes home from work to find this marvelous job done at such a low price. Come next rainfall, however, when the material washes off and you survey your suddenly black, slick, shiny lawn, you realize that something has gone wrong.

Another trick of Peat-Moss Man is to offer to deliver to your front lawn a given quantity of peat moss, humus, steer manure, or any other bulk products that you may have use for. You'll be quoted a price per bushel, with an estimate that you'll need, say, 50 bushels. An hour or so later the bulk load is delivered and you're given a bill for 100 bushels, along with an embarrassed statement that they underestimated the amount you'd need.

It's hard to argue with a burly truckdriver standing at your front door holding a bill for twice what you thought you'd have to pay. In fact, you don't know whether he's delivered the proper amount, or double, or half of what you'd need. But thinking that you were going to be getting a good deal you ordered something you may not have needed, and you don't have any idea what you've received—except a bill double what you had in mind.

A Better "Mortar-Mouse" Trap?

Pest-removal swindles are among the biggest pests of all. It's easy to convince a concerned homeowner that the

little bug the man found in the basement is a wood-devouring termite and that the house is in mortal danger of crumbling at any moment. "Mortar mice" are another mythical beast that have convinced homeowners that their foundation and chimney will crash in a heap if the demons aren't removed. If you still have suspicions, even with the reputable extermination services, your county agricultural agent should be able to inform you what kind of critters, if any, are really hiding in your woodwork, and what can be done, efficiently and economically, to get rid of them.

So How Do You Avoid the Rackets?

When Snake Oil Sam goes out to peddle his home improvement schemes he has more twists and turns and variations than you can imagine. If you want to avoid the rackets altogether, there are four absolute steps that you must follow:

1. DO NOT SIGN ANY CONTRACTS FOR HOME IMPROVEMENTS UNLESS YOU HAVE RECEIVED FIRM, CLEAR, DETAILED PI ANS AND SPECIFICATIONS.
2. DO NOT SIGN ANY CONTRACTS UNLESS YOU HAVE RECEIVED COMPARABLE BIDS FROM LOCAL REPUTABLE CONTRACTORS.
3. DO NOT SIGN ANY HOME IMPROVEMENT CONTRACTS UNLESS YOU HAVE HAD THE CONTRACT AND OTHER PERTINENT DOCUMENTS CHECKED BY AN ATTORNEY.
4. DO NOT SIGN ANY HOME IMPROVEMENT CONTRACTS UNTIL YOU HAVE DISCUSSED WITH YOUR BANKER THE OVERALL FINANCING OF THE PROJECT.

If you want the job done right and you want to get the most for your money, there are no shortcuts around these steps. It may seem like a lot of work to go through. But when you consider that you may be spending thousands of dollars and risking damage to your house should you hire unqualified people, it should be worth the effort.

A home improvement job done right can enhance the value of your house. It can improve the quality of your living environment. It can add a great deal of comfort and pleasure to your family life.

A home improvement job done wrong can be costly—not just in terms of money but in time and aggravation as well. It can cause damage to the property. It can detract from the value of the property. And it can endanger your otherwise good credit situation. There's no point in taking any chances. If it's to be done, do it right.

Let's take a closer look at the four steps you must take before signing any contracts, if you are to get the most for your money.

(A) Plans and Specifications

Plans and specs are the heart and soul of your home improvement job. The plans, often called blueprints, are the visual indications of where everything is supposed to go, completed to exact mathematical measurements. The specifications are the written detailed listings of all the materials and techniques that will be used during the work.

The plans and specs serve two very important purposes:

A. With them you know in advance exactly what you will be getting.

B. They allow the contractors to bid on equal terms, thus eliminating guesswork as much as possible. Inferior materials can be avoided (or chosen, if you prefer it that way), and finished quality can be based on agreed-upon written standards, rather than on hassling.

Even jobs that seem relatively simple can call for well-drawn plans and specs. Consider, for example, the decisions that have to be made regarding the simple

installation of a doorway between two rooms. Without plans and specs these decisions will be largely guesswork, and if you catch the contractor at the right time you might get the work done the way you want it.

The plans, carefully drawn to exact measurements, will show among other things exactly where the doorway is to be located . . . how wide and how high the opening is to be . . . which way the door is to swing . . . where the hardware is to be located . . . where light switches, if any, are to be located . . . the design of the door jamb . . . the clearance between the bottom of the door and the finished floor (particularly important if there is to be carpeting on the side into which the door will swing) . . . whether or not the hardware should be locking and, if so, what kind . . . what possible interference will the opening cause the wiring, plumbing, or other structural components that now exist where the opening is to be cut, and how such interference will be taken care of.

The specifications will indicate, among other things, what the door is to be made of . . . what type and quality hinges and other hardware are to be used . . . what type of finishing is to be applied, in what manner, and how many coats . . . what type of cover should be used for the light switches.

Prior to working out the plans and specs, the contractor will also have to resolve questions such as these: if the door will create an opening between two rooms where none existed before and will be left open for varying intervals, what effect might this opening have on the heating and air-conditioning air flows throughout the house? If the door is leading to a new room that has been added to the house, the question of overall mechanical requirements, including wiring, plumbing, heating, and air-conditioning must be considered. If a new powder room has been added within the new room, where will the drain and supply lines be attached, and how much

of the house will have to be chopped up to arrange for such attachments?

All this just for a new doorway? Yes, if you want to do it right.

The job that good plans and specs can do for you is of tremendous value. As you can see, the few questions raised on these pages indicate the kind of mild insanity that can arise if you're lacking the detailed information needed to define the job both for pricing and construction purposes.

How do you get plans and specifications? Depending on the nature of the job, you might do it yourself, you might find a contractor, or you might want to hire an architect or engineer to do it for you.

If you plan to do it yourself, you should do some research at your local library and bookstore. There are a great many guides that can help you lay out simple jobs with enough detail to allow a satisfactory job to be priced and constructed. In addition, your local newsstand contains many various "handyman" magazines that can be helpful.

In regard to having a contractor do it for you, many reputable builders will prepare these documents for you for a fee, and if they get the job they may cover the cost of such preparation in the overall work. If they don't get the job, they would expect to be paid for the efforts in preparing the plans and specs, and they're certainly entitled to it.

If the job is large enough and/or complex enough you might consider the added investment of hiring an architect and/or engineer to prepare plans and specs. You might arrange for such work to be done either on a flat fee basis, or on a percentage of the ultimate cost of the work. Theoretically, since the architect has no stake in the work itself, you should get the most objective set of plans and specs from him.

Whoever is drawing the plans and specs must take into account all of the various building codes that might affect the job. These could include zoning regulations, fire regulations, and actual building regulations. If you're in doubt and you are drawing the plans yourself, contact the building inspector in your community for his assistance in determining whether you are meeting or violating any codes.

No matter who draws the plans and specs, it will take a considerable amount of time on your part to determine exactly what it is you want, and convey your desires to the person drawing the document if it isn't yourself. Then, once the plans and specs are completed, you must go over them with a fine-tooth comb to determine whether or not absolutely everything is included and whether all the details and measurements are correct. Once all of this work has been accomplished, you are ready for the next step.

(B) Getting Bids from Reputable Contractors

You should have an ample supply of plans and specifications to make available to the contractors. Choose your contractors carefully; the bigger the job, the more you have at stake, and the more investigation should be done. Contractors may offer you references, and you may want to further check on your own with people for whom they've done work. Your bank can be of assistance in checking out the financial reliability of the contractor. This is more important than it may seem, since dealing with a disreputable contractor who does not pay his suppliers or workmen on time can mean that you could end up with a lien on your house—a most vexing situation. If your community requires licensing of various contractors, be sure that their licenses are up to date and in good standing.

A personal discussion with each contractor whom you

might want to invite to bid is most important. You don't have to like the person, but you should respect him. Most important, you have to make a human judgment as to whether or not you feel that difficulties can be ironed out equitably should they arise.

The invitation to bid means that you give the contractor a copy of the plans and specs and ask him to give you a price for the work stated therein. He should give you a proposed contract setting forth not just the price but the time of commencement, the time of completion, and other matters that will be discussed.

Some contractors may prefer to give you a quote on a so-called "cost-plus" basis. This method means that they will bill you, at their cost, for all the materials and labor involved on the job and will then add an agreed upon percentage for their profit. This method, if properly done, can be preferable to a lump sum bid, though there is an element of risk involved. In the first place, a cost-plus bid should specify what the basic rates are for labor, and what the anticipated cost of materials will be. In a lump sum bid you have to assume that the contractor has included enough to cover any unforeseen contingencies. Thus you may be paying for more than you are getting. In a cost-plus bid you stand to save if the contractor performs efficiently and the job poses no unanticipated problems. You might end up paying more if the performance isn't up to par, or if gremlins pop up. A cost-plus job with a guaranteed maximum is one way to avoid this; it's sort of a cross between a straight lump sum and cost-plus.

Bids should be returnable at a specified date. Once all the bids are in hand, accompanied by the proposed contract from each builder, you must then evaluate the bids.

The first assumption is that the lowest bid is the best. This isn't necessarily true. In addition to the base cost,

you have to evaluate a number of clauses in the contract (see next section), reassess the reputation of the builder, determine how you will be getting along personally with him and his foreman.

(C) The Attorney, the Contract, and Other Documents

First a word about contracts in general: contracts are legally binding documents. They set forth all of the rights and obligations of the parties, or at least they're supposed to set them forth. If you sign a contract without the advice of an attorney, you will not know whether all of *your* rights are properly included, and you won't know whether or not all of the duties and obligations of the *other* party are properly included. Spoken statements or promises are meaningless unless they are specifically spelled out in the contract. In construction contracts there may be many rights that you're entitled to, and obligations that the contractor should perform, which you may not be aware of at all unless you've received the proper counsel. You have everything to lose and nothing to gain by entering a contract without an attorney's advice. His advice should involve little more than a nominal cost, and it could be a very small investment when you consider that a great deal of money and possible aggravation are at stake.

Here is a checklist of items which your home improvement contract should set forth. Depending on circumstance, there may be other items which your attorney might want to include.

—The contract should clearly state that the work must be done in strict accordance with the plans and specifications, and the plans and specifications should be attached to, and made a part of, the contract. If the contract does not so stipulate, then the contractor is not necessarily obliged to follow the plans and specifications. In that

case, all of the efforts with regard to the plans and specifications will be for naught. If the contractor doesn't have to follow the plans, they're all but worthless.

—The contract should specifically state the time in which the work is to be done: the starting date and the completion date. One of the most common complaints about home improvement jobs is that the work is never done when promised. Your best protection against such an event is a penalty clause which would assess the contractor a certain amount of money for each day that he misses the completion date. In all fairness, the contractor who agrees to such a penalty clause might also request an award clause which would give him an extra amount if he finishes the job, in accordance with the plans and specifications, in advance of the completion date. These matters are subject to negotiation. If you're not willing to go along with an award clause when the contractor insists upon it, another possible protection is to withhold final payment until the job is completed.

—The contract should set forth the manner of payment; for example, a set amount upon the signing of the contract, with periodic payments of a certain percentage as the job progresses, and a final balance due upon completion. As with the above paragraph, you may want to protect yourself with regard to the quality of workmanship by withholding a certain portion—say 10 percent—until a stated period after completion, such as 30, 60, or 90 days. This gives you some leverage in case some aspect of the workmanship or materials proves faulty soon after completion of the job.

—The contract should specifically set forth the nature of the guarantees as to workmanship and materials. It should state the contractor's obligations to make good on any defects and for how long a period he is obligated to do so.

—Normally the contractor is responsible for getting

all necessary permits. Your contract should so stipulate, and it should also state that he is responsible for complying with all laws that may prevail regarding the job.

—In bigger jobs, you may want some assurance that the contractor will complete the work as specified. One common way of doing this is to obtain a performance bond which, in effect, will pay you the money needed to get the job done, should the contractor fail to do so. If you and your contractor have agreed upon a performance bond, the contract should so state, and it also should indicate who is to pay the cost of the performance bond. In the absence of a performance bond there should be some provision as to settlement between the parties in case one of the parties fails to perform. If you fail to make payments as agreed, or if the contractor fails to perform his work as agreed, there should be a settlement set forth which will satisfy both parties in such an event.

—The contract should require the contractor to pay for all of his labor, supplies, and subcontractors in the proper time. To prove that he has done so, the contractor should agree to provide you with lien waivers from all such parties. (See further discussion later.)

—You want the contractor to have adequate insurance to protect you in the event that a person is injured or any property is damaged as a result of his work. The contract should stipulate that he has the proper workman's compensation and public liability insurance in this regard.

—Rare indeed is the contract which, once signed, isn't changed at some point down the line. If changes are agreed upon in the contract, both parties should be required to sign a written change order which specifies the change and the cost or credit for the change.

Beware of the following:

—Unrealistic guarantees, either regarding the life of the materials or the workmanship itself. Such guarantees may have been offered as inducements to get you to sign

the contract in the first place. If they are not realistic, and if no one will be around to honor them many years in the future, they are not worth the paper they're printed on.

—Watch out for any and all statements that the contractor is reluctant to put into writing. Such statements as, "We don't have to put that in the contract, you have my word of honor on it," may be well-intended, but they are meaningless. If he's reluctant to set something forth in writing that he has verbally promised, you should be concerned and correct the situation immediately. Once the contract is signed, you can't force him to put further statements into writing.

—Contracts that provide for labor only, even if the hourly rates are specified, can be dangerous. If the contract states that you pay for the materials, you very likely will have no control over the amount or cost of the materials that are sent to the job. Complete maximum cost should be known and specifically set forth in the contract at the outset.

—Printed form contracts provided by the contractor are very liable to be weighted in his favor. They deserve extra scrutiny by your attorney before being signed.

A number of other documents are likely to be shuffled in front of you during the course of your negotiations. A general description follows, but you should ask your attorney to give you more specific guidance since laws from state to state might differ, and differing circumstances might create documents of a different nature.

Lien waivers. The law in most states is that if a contractor fails to pay his laborers, suppliers, or subcontractors, these people can put a lien on your house. This can be particularly troublesome since you may have paid the contractor, and he has done you double treachery by not paying those who are really entitled to the money, and you still end up owing the subs for the stated amount. Furthermore, they have an iron fist on your property

and you could not sell it or further mortgage it without in some way satisfying them. When one of these subcontractors or suppliers is paid, he should sign a document called a lien waiver. This is his acknowledgment that he has been paid for goods or services rendered. The contractor should be required to provide you with a lien waiver before you allow payment to be released to him. If the financing of the project is being handled through your local bank, they should understand that monies aren't to be released without the proper lien waivers in hand.

Completion certificates. A completion certificate states that the job has been completed to your satisfaction, and in accordance with all plans and specifications. One of the common abuses in the home improvement field occurs when a contractor convinces the homeowner to sign a completion certificate *before* the job is actually completed. This allows the contractor to get his money before he has finished his work, and also gives the homeowner little recourse should the work never be completed satisfactorily. Often in the course of paper shuffling, the unscrupulous contractor might con you into signing a completion certificate without your knowledge. Remember the earlier case of the couple who lost their house because they signed an actual deed to the property?

Under no circumstances should you sign any blank documents or filled-in completion certificates until the work has actually been completed to your satisfaction.

Change orders. As noted earlier, your basic contract should require signed change orders for any changes that may be agreed to. But having such a clause in the contract is to nobody's benefit unless you actually create and execute such change orders as changes occur. Even if the changes amount to only a few dollars one way or the other, they should be spelled out. It only takes a few

moments to draw up and sign a change order, and there's no reason why it can't be done right on the spot when a change is agreed to. It might be as simple as: "Change paint on wall A from type X to type Z. Total extra cost—$6.70. Signature, or perhaps initials, of both parties."

Don't leave these items to memory. There can be a great many of them during the course of a job, and nothing but hassles will result if you don't have written change orders for every item.

Security agreements. The financial arrangements that you enter into might possibly require that you put up your property as security for the loan. In other words, a mortgage is placed upon your house. If you are confident that you have been dealing with a reputable contractor, and you have had the advice of your lawyer along the way, the lawyer should determine on your behalf that you are not putting up any more collateral than is required to meet the financing requirements.

This is of the utmost importance: If you find yourself having signed a home improvement contract after a whirlwind sales pitch, and there's the slightest suspicion that you might be in the clutches of a swindler, be aware that under the Federal Truth in Lending Law you have a right to rescind (cancel) any transaction which may result in a lien, mortgage, or other security interest on your home. If you want to exercise this right you must do so within three business days from the date of the transaction, or within three days of any later date upon which all material disclosures required under the law have been given to you. Under the law you're also entitled to receive a refund of any down payment if you cancel. The dealer is required to give you a form of the notice of your right to rescind the contract. If he fails to do so he is violating the Truth in Lending Law and is subject to federal penalties. It's possible that in the course of paper shuffling, an unscrupulous promoter might try to have you sign

certain documents, under which you would waive your right to rescind under the Truth in Lending Law. This fact reinforces previous statements that *you must not sign any documents of any sort regarding a home improvement deal without first getting the advice of your attorney.*

(D) The Financing

One common lure that the home improvement swindler will use to get your name on a contract is easy financing. (See Part Four for more details on the "Myths of E-Z Credit.")

It would be bad enough if you signed a contract that left you holding the bag with shoddy work or materials. It would be worse if you signed a contract that gave you no recourse against the contractor. And worse yet would be winding up with a mortgage on your home with some distant lender who would have no patience or sympathy under any circumstances. You are nothing but a number on their computer, and at the slightest sign of a late payment you can be subject to all manner of harassment and aggravation.

Your best course, if you are set upon a home improvement program, is to discuss the financing arrangements at the outset with your own local financial institution.

You'd be wise to pay a casual visit to your loan officer even before you start to draw up your plans and specifications. If you have given him a good working knowledge of your overall financial situation in the past, he should be able to help you determine how much you might be able to spend on improving your home and what kind of financing program would fit best into your near- and long-term budget. The best thing about such a visit is that it costs nothing.

Before you sign your contract you'll want to be certain that you'll have the money to pay it off. This calls for a

loan application visit to the bank, and the getting down to brass tacks with your loan officer.

Here are some tried and true reasons why you will be better off seeking your own financing, rather than letting the contractor take care of it for you:

—Your own lender will be more likely to help you with some of the complexities of the contract, plans, and specifications. He might spot problem areas that have evaded you, and might have suggestions to offer that can save you money.

—You very likely might get a better interest rate dealing on your own rather than through an unknown, long-distance lender.

—A stranger will attempt to grab all the collateral he can get, which very well might be more than is needed. Your local lender should be more equitable in this regard, taking collateral only if it's needed, and if it is needed, taking only as much as is needed.

—If you have occasion at some future time to refinance the loan, it will be a lot easier if you're dealing with your own local sources than with a stranger. Also, the stranger can't be expected to be very sympathetic if you get into a jam and need an extension of time along the way. Dealing directly with your own institution allows you to continue your personal relationship with them. This is particularly valuable, especially in regard to all your other financial matters.

—Perhaps you will want your contractor to arrange your financing for you. If he will do so through a local institution, you should take the time yourself to visit the institution to make yourself known and create a personal rapport with the lender. It can come in handy later. If the contractor intends to place the financing with an out-of-town agency, caution is advised; get a careful quote on the rates and terms, then take time to compare

them with other local sources before you commit yourself.

A Visit with the Insurance Man

A chat with the agent who carries your homeowners insurance is necessary before work begins. Even though the contractor himself may be covered for any personal injury or property damage that may occur, you still want to be sure that your family is adequately covered in the event that some strange quirk, not necessarily the contractor's fault, causes some kind of damage or bodily harm.

Furthermore, the improvements themselves might add to the value of the property and you will want to adjust your fire insurance accordingly.

One Last Caution

Even if you have gone to the extent of getting carefully drawn plans and specifications . . . and even if you have taken the utmost care in choosing your contractors to bid upon the job . . . and even if you have had the finest legal advice in drafting an ironclad contract . . . you can still have troubles.

The best contract in the world can only set forth the rights and obligations of the parties, and the recourse in the event that any rights are violated. If your rights are violated and *you don't exercise the recourse that the contract gives you, you might as well have no contract at all.*

If there appears to be any kind of breach of the contract, even of the slightest nature, you should take *immediate* action to protect your rights. Every day that goes by puts you further and further away from whatever recourse you may be entitled to. The contract is your weapon, but it is of no avail to you if you don't use it. A contract is a legal matter, not a buddy-buddy thing. You

have to assume that the other guy will exercise his rights fast and to the fullest, and you should act accordingly. To do anything less is to void all of the precautions you have already taken.

PART THREE:

CAN YOU REALLY FIND TRUE HAPPINESS IN AGUA CALDO ESTATES? THE GREAT AMERICAN LAND SWINDLE

Dreams for Sale, Part One: The Blue-Collar Victim

Eddie is time-tripping. It's a warm summer afternoon and he's a young boy again, racing with Dad through a meadow while Mom prepares the Sunday afternoon picnic lunch. It's nice out here in the country. You can heave a rock at a tree or chase a rabbit into the brush. You can yell out loud if you feel like it, and you can run at top speed in any direction without bumping into anybody or anything. The hot city and the crowded streets and the noise are a long ways away. The country is fun. . . .

Now he's in the mountains on a crisp fall afternoon, sitting on his front porch admiring the golds and the russets and the scarlets of the changing leaves. He's just had a nice nature hike with his two young grandchildren who have come up from the city to visit him for the weekend. The kids are inside now watching their grandmom make supper, and Eddie's just taking it easy, thinking how calm and beautiful everything is. The country is peaceful. . . .

The country scene fades slowly as Eddie hunches forward and focuses his eyes in the darkened room on the words written on the tiny paper in his hand:

> "Find true happiness at Agua Caldo Estates! Enjoy cloudless sunny days and crisp invigorating evenings,

far from the tumult of the city. Fishing, hunting, nature in all her glory, right outside your front door. Escape to a life you've always dreamed of. Act now. Don't be left out. Only $79 will start your dream coming true. Just fill in the handy . . ."

"What's the matter, Eddie?" the brusque voice intrudes. "You look like you're a million miles away."

"No, it's nothing, Mike. Just thinking about something. Give me one more shot, will ya, before I have to get back to the line."

The bartender pours a shot and Eddie downs it in a single gulp. He hesitates for a minute, then tucks the matchbook cover holding his dreams into his shirt pocket, and heads out the door through the driving rain towards the factory across the street. Lunch hour is over.

Dreams for Sale, Part Two: The White-Collar Victim

Stan and Shirley are cross-country tripping. They're whooping it up around the piano bar at 36,000 feet, in a bulbous silver plane on its way to Las Vegas, Nevada. Though Stan outwardly is the picture of "joie de vivre," deep inside he's a bit leery of this adventure. They originally planned a more modest vacation at a cottage near the lake, but the Las Vegas bug had been gnawing at them for years. The ultimate decision to go to Vegas, strangely enough, had been more political than personal.

Stan was what's known in the trade as a "rising young executive" in a large advertising agency on the eastern seaboard. He was making and enjoying good money, but he was also caught in the trap of corporate hierarchy, one of the worst symptoms being that he had to be careful how he let his personal affairs reflect on his ladder-climbing functions. To the elders looking down from the upper rungs, shrewd rising young executives should display an abundance of prudence, good judgment, solid thinking,

and fiscal responsibility. A vacation at the lake would have suited the elders to a tee.

But on Stan's own rung, and the rung just above him, appearances, and the right touch of braggadocio at cocktail hour, were essential to maintaining a success-oriented image in this most success-oriented peer group. The do-nothings got nothing. The achievers achieved. In the constant battle for the next pay raise or the next promotion, the guy with the high profile stood a better chance of recognition than the guy with the low profile. During these summer vacation months the lunch hours and cocktail hours were filled with tales of adventures in the Caribbean, tours of European capitals, deep-sea fishing expeditions in the Gulf of Mexico; this is what achievers did. Do-nothings rented a cottage at the lake. One of the toppers that had particularly impressed Stan was the recounting by a colleague of his purchase of a vacation retreat in the hills of Vermont. His very own second home!

Shirley was caught in much the same syndrome. Among her equally afflicted peers, kaffee-klatch stories of rubbing shoulders with Buddy Hackett and Dean Martin in the casinos were sure to bring more jealous "oohs and ahhs" than were stories of sitting on the cottage porch in the evening listening to the mosquitoes and swabbing junior's poison ivy with calamine lotion.

The man playing the piano was a jolly robust combination of Santa Claus, W. C. Fields, and the Great Pumpkin. He had just bought a third round of drinks for the few couples who were crowded around and singing along with him. Midway across Missouri he begged off his duties to rest his fingers and his throat, and the sing-along gang disbanded to various seats in the lounge.

A few moments later, Santa Claus sidled over to where Stan and Shirley were sitting. He enthused to them as to how much fun he was going to have in Las Vegas and, on

learning that this was their first trip, assured them that they were in for great times too. Stan, gracious though somewhat confused at Santa's generosity, again thanked him profusely for the drinks and offered to reciprocate.

Santa glanced around the lounge as if to make sure that no one was listening, then confided to them, "I don't want you folks to think that I'm not really a nice guy, but I have to confess I'm doing this for business reasons. You know, Las Vegas is a pretty cutthroat place when it comes to getting people to visit your casino. Everybody's always offering gimmicks of one sort or another to bring bodies in, hoping that they'll leave a little bit off at the gambling tables before they leave. Well, I work for a firm that represents some of the places in Vegas and anytime I have the chance to meet some nice folks and tell them about our firm, I try to do so. And look, why kid around about it? If I lay it on the line and tell you exactly what I'm doing, you'll believe me and hopefully there's a better chance that you'll go and take advantage of what we've got to offer. If I make like a mystery man you're liable to think I'm some kind of phony, and you'll stay away in droves."

Stan and Shirley were duly impressed with Santa's candor, and also curious to know more about the firm he represented. Santa's ploy was working beautifully.

He went on, "Where are you folks staying? Oh, that's terrific! We have an office right in your hotel. Listen, after you're unpacked and settled down, take this card down to our office in the lobby and they'll get you all set up. Be sure to tell them I sent you and they'll probably give you a little extra icing. You can get some free shows, drinks, meals, guided tours—really all you'll need to stay busy the whole time you're there. And there's no catch, I assure you; if you don't want to get involved with any of it, just say no thanks. But it's free, so why not look into it?"

Santa saw the eager acceptance on Stan's face and knew it was now time to shift gears. A few minutes of chitchat about how many kids, the weather, and Stan's occupation led Santa to ask if they owned their own home. "An apartment? Funny, I would have thought you folks would own property. Just between us businessmen, you know, there's a lot of good things about owning property that you can't get with an apartment."

Stanley nodded in agreement, but confided that the time and the bank account weren't quite right yet for such a major investment. Just what Santa had wanted to hear.

"What big investment?" Santa laughed. "If you play your cards right you can get into property with a very small investment and end up with a bundle. I know a lot of guys who have done it."

Santa studied the quizzical expression on Stan's face. "How so?" asked Stan with a mixture of curiosity and skepticism.

"By buying land," Santa said. "Not just any land, but raw land, the right raw land in the right place at the right time. You get into the right deal and you can watch an investment of $1,000 quadruple within a few years."

Stan's skepticism surged forward, "You don't mean some of these land deals I've been reading about, do you? I've heard of more people getting stuck on those things and I've never heard of anyone making a buck on them."

Santa looked hurt, insulted. "Look, Stan," he said, "we're sitting up here in an airplane five miles above the ground, and I've got nothing to gain by making any enemies. I've heard about those deals too, and I wouldn't touch them with a ten-foot pole. I'm talking about the real thing. And there's a lot of it if you know where to go. Let me give you a couple of examples."

A round of drinks and a round of examples took them

from the western edge of Kansas to McCarran Field in Las Vegas. As they touched down, Stan's skepticism had been smothered by his curiosity and had become tinged with spots of greed. Santa had made some appropriate notes on their conversation.

The next morning Stan and Shirley took Santa's card and found their way through the crowded lobby to Bountiful Pleasures, Unlimited, a small office in the hotel arcade. As instructed, Stan mentioned Santa's name and the attractive girl behind the desk recognized the signal. In a few moments a dapper young man emerged from a small inner office, and he embraced Stan and Shirley as if he, Santa, and they had been long-lost college roommates.

The young man introduced himself as "Old Buddy Sammy." He led Stan and Shirley into his plush inner office and asked if they'd like a drink or a bite to eat. He explained the package of goodies they had to offer, including the meals, the shows, and even some free money to use in the slot machines.

Then with a candor that even surpassed Santa's, Old Buddy Sammy explained that Bountiful Pleasures, Unlimited was a public relations firm that represented a "Community Developer," and that they wanted their visitors to have a chance to hear about the wonderful investment opportunities in a vast new city that was being built in the Glorious West. "No," he anticipated their doubts, "it's not just some land scheme. This is a real, honest-to-goodness city that's currently under construction. It's one of the finest situations in a long time for the potential investor."

Old Buddy Sammy intimated that he was aware of Stan's discussion with Santa on the airplane, and without winking, he let Stan know that this indeed might be the opportunity Santa had been talking about.

"What have you got to lose?" Old Buddy Sammy concluded.

As Stan and Shirley left the office they thought they saw another couple entering who had been with them on the plane, to be greeted by Old Buddy Sammy as if they had all been old college roommates together.

The free dinner-show that evening was superb. Pretty girls, handsome men, lavish settings, funny jokes. During dinner a comely lass came to their table and said she was a representative of Bountiful Pleasures, Unlimited and wanted to know if they were having a good time, and would they please accept a free bottle of champagne from their benefactors?

Keeping the mood and the momentum rolling along, another gal approached them shortly to take their picture —courtesy of guess who. On returning to their room that evening, they found under their door a packet of materials depicting the "city of the future" that Old Buddy Sammy had mentioned to them. As an advertising man, Stan could well appreciate the professionalism and great expense that had gone into preparing the kit. He recognized some of the statements as puffery, but the statistics with regard to the number of lots and planned investments by the developers was indeed impressive.

As requested, Stan signed the slip in the packet which indicated he had received it, and took the receipt with him the next morning to return it as their "ticket" to the "Investment Opportunity Meeting."

First on the agenda was a film presentation that DeMille himself would have been proud of. Aerial shots showing vistas of western grandeur were embellished by a sound track designed more for hypnotic than informative purposes.

The subliminal message of the narration: "You can find true happiness at Agua Caldo Estates! Take your

choice of either tremendous profits or luxurious living in a community of the future. Or, if you time it right, you can have both! To the east, the majestic grandeur of the snow-capped Rockies, offering ceaseless ecstasies of skiing, big game hunting, fishing in the cool mountain streams. To the west, just a few short hours from your door, the crashing surf of the exotic blue Pacific—sun, beaches, tingling San Francisco, gateway to Hawaii and the Orient. . . ."

By happenstance, one of the sweeping aerial panoramas flittered across a barren stretch of central Nevada desert. It happened to be lying midway between the majestic Rockies and the crashing Pacific surf, and just a few hours away from each—by jet plane. It also happened to be Agua Caldo Estates.

The lights came on, both in the room and in Stan's head simultaneously. "My God," he said to himself, "how did I get here? Here I am, sitting in the middle of what's going to be a high-pressure pitch to buy some kind of cockamamie land deal in the middle of nowhere. I've heard about these gimmicks. I've read about these gimmicks. I've vowed that I would never get involved in these gimmicks. And here I sit."

He was on the verge of reacting to these thoughts by bolting for the door when his eyes adjusted to the light and saw a large chart on the far wall that showed the progress of a $1,000 investment and how it multiplied. It wasn't the chart so much that arrested his attention. It was the lack of explanation on the chart as to what the $1,000 investment was in. Then suddenly the golden voice of Old Buddy Sammy filled the room.

"I know that some of you may be skeptical or downright opposed to presentations such as this," he began, almost talking directly to the red blinking light in Stan's head. "But," he went on, "let me assure you that Agua Caldo Estates is registered with the Office of Interstate

Land Sales in Washington, D.C., and I can show you verified audited statements of the actual expenses that the developers have poured into Agua Caldo Estates."

Just then Old Buddy Sammy was interrupted by a voice in the back of the room, and the heads turned to see a distinguished-looking gentleman asking for the floor. He asked Old Buddy Sammy if he might make a statement which could possibly be detrimental to the program, but which would certainly be honest and fair to all concerned. Old Buddy Sammy told him to go ahead, saying he had nothing to fear, nothing to hide, and nothing to be ashamed of.

The gentleman then went on to explain that he was a senior partner in a very important accounting firm in Chicago, and was also a member of the Board of Directors of a large bank. He said that he was at this meeting out of curiosity, but if he were really interested in buying any property, he would certainly give the closest possible scrutiny to the accounting figures just referred to by Old Buddy Sammy.

He then volunteered to look at these figures as soon as the meeting was over, and let anyone in the room know, should they inquire, if the figures were dependable or not. Old Buddy Sammy immediately passed a file folder thick with papers to the gentleman, and suggested that he might want to review the figures while the meeting was still in progress.

His desire to bolt the room being thus temporarily waylaid, Stan turned his attention to Old Buddy Sammy's spiel, which was now focused on the "$1,000 and how it grew" chart.

Within 20 minutes Old Buddy Sammy had finished his pitch and was asking for questions from the floor. Three questions were asked and answered in rapid succession.

"How do we know you're going to build the recreational section like you said?"

"I can show you a letter verifying that we have over $3.5 million in escrow set aside for the exclusive purpose of building those facilities. We have also signed a construction contract with a major contractor, and the ground-breaking has already commenced. You can see for yourself if you visit the land. Next question, please."

"How do we know that we're getting clear title to the lots if we buy them?"

"You get a full title insurance policy when you get your deed, and you're free to have your lawyer check the policy. Next question, please."

"How do we know that the utilities and roads will all be completed on schedule?"

"Local municipalities have had too many headaches over the years with phony land deals. Nowadays if you want to get your project approved at the outset you have to have firm commitments for installing all of the roads, utilities, and so on. If we can't do it right, we're not going to do it at all. We wouldn't have been in business as long as we have been if we didn't do it right, because with all of the government agencies regulating us these days it would take only one guy to blow the whistle on us and we'd be in the courts in no time at all."

Reassurance oozed with every syllable. No one asked to see the escrow agreement. No one was to pay any attention to the convoluted clause in the sales agreement where it stated that they would not receive the deed until *all* payments had been made, at which time they would only receive a quit-claim deed. Nor did anyone stop to think that a title insurance policy can be as full of exceptions and exclusions as the title insurance company sees fit to put in. Nor did anyone recognize that Old Buddy Sammy's answer to the third question was a masterpiece of evasion and double-talk, making no commitment or firm statements of any sort.

And finally, no one stopped to think that Old Buddy

Sammy's answers to these questions were so pat because the same three questions were asked by the same three individuals at every sales meeting, and the answers and reactions were always identical.

Old Buddy Sammy then announced that investment counselors were now available at four separate desks located in the four corners of the room if anyone wished to make further inquiry. Right on cue, to foreclose the possibility of anyone leaving, the doors opened and a stream of carts were wheeled into the room, bearing a bountiful buffet luncheon for the guests.

Any efforts to gather one's thoughts were disrupted when the distinguished accountant/bank director stood up and headed towards one of the investment counselors —muttering in a loud stage whisper that he'd "been skeptical before, but by gum, when you take a look at the figures, you really have to be a fool *not* to get involved."

Here and there other guests stood up and headed towards the counselors. Phrases like "what have I got to lose?" and "How far wrong can I go?" were volleying back and forth across the room.

Checkbooks were being opened, contracts were being signed. There was much laughter and congratulations. Stan and Shirley looked at each other; then to their surprise they saw a familiar figure across the room. "Isn't that the lawyer from New Jersey that we met on the plane going over there to sign a contract?"

Stan saw Santa sitting at one of the desks, so he walked over, still a bit bewildered.

Santa motioned Stan's head closer as he sat down, and he leaned forward to whisper: "Look, I know you might still have a few doubts, but let me tell you this—and don't you dare tell Old Buddy Sammy what I'm about to say. If you decide you don't like what you're getting into, you have my *personal word* that we'll cancel this con-

tract and refund every penny to you. And if you want it in writing you'll have it in writing."

Stan looked at Shirley. Santa was their friend, putting his reputation on the line. Their friend who had bought them drinks, who had confided in them, who had inquired about their children and their work, who had put them onto a free floor show.

Slowly Stan started to survey the lengthy contract as if he were reading the clauses and understanding them. When he was done he looked up and saw Santa's extended hand offering him a pen. The smile on Santa's face was full of trust, warmth, and confidence.

"How far wrong can I go? What have I got to lose?"

Shaking a bit, Stan signed the contract.

After the crowd thinned out the distinguished-looking accountant/bank director and the three people who had asked the questions from the floor, and who also had been the first ones to "sign contracts," all went back to Old Buddy Sammy's office to receive their paycheck for the good work they had done that day for the company. As professional actors working for land development companies "between movies," they had long since learned to get their day's pay on the day the work was performed. Too often they had been stung by waiting until the end of the week for their paycheck, only to find that the company was no longer to be found.

On the way back to his room, the little red light in Stan's head flickered wanly, nagging at him, "Could I possibly get stung?"

"No," said another voice from deep within, "it can't happen to me."

Dreams for Sale, Part Three: The Sophisticated Victim

Doctor Simon Widnap was money-tripping. He had just finished a hard day. No matter how you look at it—60 patients through the mill in eight hours is a hard day,

even if each of them paid an average of $10 for the privilege. Now he was settling back to attend to more important matters: checking the closing stock market prices in the evening paper to see how he had fared for the day. All told, the market had been good to him this day; he had realized a paper profit far greater than the $600 he had earned in patients' fees, for which he had had to labor mightily all day long.

But was Dr. Widnap really Happy? No, Dr. Widnap was not Happy, because he had a problem.

He was making a devilish amount of money, but there weren't enough hours in the day to keep up with all the various devices that one can use to avoid, or minimize, the payment of income taxes. Consequently an inordinate percentage of his income and profit had to be paid to the government in income taxes, and this grieved Dr. Widnap. He tended to fret over it so much, in fact, that he often wondered if his tense frame of mind might not be interfering with his medical practice.

Dr. Widnap knew that if he could only get his money to work for him, and not have to give so much to income taxes, he would be Happy. Thus he quested incessantly for information and counseling that would solve his problem.

His nurse buzzed him on the intercom to let him know that Happiness was waiting for him in the anteroom.

"How do you do, Dr. Widnap. I'm J. Fairly Nicely, of United Respectable Investment Bankers, Los Angeles."

The voice poured forth in rich tones from a stately-looking gentleman who was striding towards the doctor, hand extended. He was conservatively dressed, impeccably groomed, and had a manner about him that reflected a person of prudence, solemnity, and wisdom.

"You had replied to our ad in *The Wall Street Journal* some weeks ago on our Creative Investment Guidance

Program. Normally we respond by mail, but I happened to be in the area and thought I'd take a chance on dropping in so I could explain the program to you personally. Do you have a few minutes?"

For the sake of Happiness, Dr. Widnap had more than a few minutes. He had a few hours, and J. Fairly Nicely proceeded to use them.

"Perhaps you'll take a moment to glance through this brochure. It tells something about our company; you should really know something about us, rather than think you're just talking to a stranger in from the cold."

Dr. Widnap thumbed through the glossy booklet that J. Fairly Nicely handed him. His eyes were attracted to the pictures and the captions. A large modern office building: "World Headquarters, Los Angeles, California." A map of the U.S. sprinkled with a dozen or so red stars: "Offices nationwide." Summary of balance sheet and profit and loss statement for previous year: "Net assets, $7.4 million. Earnings per share, $5.63. Dividends paid to stockholders, $2.50."

"Very impressive," said the doctor. "I'm surprised I haven't heard of you fellows before."

"We try to maintain a low profile," responded J. Fairly Nicely. "We don't go out and hullabaloo a lot of our things the way some investment bankers do. We deal with a selected clientele that has come to us over the years, and we can generate all the business we can handle just by the good word of mouth we get from our satisfied clientele. We wouldn't be the size we are now if it didn't work that way."

"And what was it you wanted to discuss with me?" the doctor asked.

"I take it you're looking for some investment vehicles that are offering high yields, safety, and the maximum tax shelter available. We have a number of possibilities well-suited to a man in your position, but there's one par-

ticular situation that has just come to us that I think will be most appealing to you. In fact it's one of the most fascinating prospects we've ever seen. First, let me ask you this, Doctor. Are you aware that within the next 30 years, more than 25 percent of our nation's total population will be living in cities that have yet to be built? The building of new cities is going to be one of the most dynamic growth industries for the rest of this century, and anyone that gets in on the ground floor stands to make a tremendous profit."

The doctor remembered reading of this new phenomenon in various magazines, but he hadn't realized it was at a stage now where potential investors could participate.

"We represent an excellent firm, also headquartered in Los Angeles, that is already growing so fast they can't keep up with the demand for their services." J. Fairly Nicely was speaking in a very confidential tone. "It's called 21st Century Environmental Engineering, Inc., and it's one of the most dynamic operations you've ever seen. Right now they're in a new community development in the west that's designed to become the home of over 100,000 people by the end of the decade. The public demand for access to the new community has been so great, though, that they've found they've had to seek out new capital development funds almost two years ahead of their present schedule." Nicely sat back to let his words sink in, and to await the expected reaction from Dr. Widnap.

On target. "You mean that they're floating a new issue of stock?" asked the doctor, anticipating getting in on the IBM or Xerox of the 1970's.

"Not exactly," said the salesman. "You see, this has all happened so fast that they find themselves in a very strange position. They're very definitely planning on going public within the next six to twelve months. As a

matter of fact, they've already spent tens of thousands of dollars on lawyers and accountants to get the paperwork ready for going public. But they need this development money a lot sooner, and it would be foolish to try to have any issue of stock prior to their planned major issue."

"Then why don't they just borrow the money?" Dr. Widnap asked, a bit of suspicion starting to rise in his head.

"Quite honestly, they're up to their limit with their current banks, and if you haven't been out borrowing lately for new city development programs you might not be aware that it can take two to four months to get all the paperwork processed and the loans approved. Meanwhile, they've got sewer lines to install, roads to pave, a city to be built."

As J. Fairly Nicely began ticking off the expansion program at this new city, which he referred to by name as Agua Caldo Estates, the warning lights started blinking rapidly in Dr. Widnap's head. "Who is this guy who calls himself an investment banker? And what is this business about new city developments? I don't care what he calls himself; he's just a money-hustler for some land promoters. I've heard about these guys and I wouldn't touch them with a ten-foot pole."

"I'm sorry, Mr. Nicely," the doctor interrupted, "but I never consider any investments having to do with land, nor do I consider any investments unless I can take an equity position and have my hands on a good chunk of stock at the ground floor level. So if you don't mind, my nurse will show you out. I've still got some late patients to see."

"Certainly, Dr. Widnap," Nicely said as he closed his attaché case and stood up to leave. "I can understand your position entirely. And I can't blame you." He moved towards the door. "To many men the type of investment *you're* seeking is worth far more than my tax-

sheltered guaranteed return of over 20 percent per year on your money."

The space between Dr. Widnap's ears suddenly exploded with a loud clanging roar. It was that old familiar sound of the cash register springing open in his brain, and he was suddenly transfixed. "Just a moment, Mr. Nicely. I'd like to hear a little more about what you just said."

J. Fairly Nicely had just received his full-speed-ahead signal, and he sat down again opposite Dr. Widnap and leaned on the throttle full weight. "Rather than issue stock now, or borrow, the firm has decided to convert some of their tremendous accounts receivable into cash. They're generating enormous sales every day, but most of them are with little money down and large mortgages. So what they've decided to do is sell some of their IOUs —money that's owed to them on mortgages—at a discount in order to raise cash."

"Now I can appreciate that a man in your position and with your investment sophistication wouldn't want to get involved in anything that looked like a land deal, even though this one is perfectly legitimate. As we know, there's a stigma about such promotions. You can rest at ease, Doctor—you won't be dealing with any land company at all. You'll be dealing with solid-as-a-rock individuals who have purchased land and who owe the company money."

"For example, here's one portfolio that you might be particularly interested in since the individual involved is a doctor like yourself. He's located in Portland, Oregon, and he's got a tremendously successful practice. He saw the great potential in Agua Caldo Estates, and not long ago he bought ten lots in a block at $6,000 apiece. He paid a few thousand dollars down on the block, and he's been paying on his mortgage like clockwork every month since then. An absolutely no-risk situation."

Anticipating Dr. Widnap's next questions, Nicely reached into his attaché case and flashed some papers in front of the doctor. "Here's a credit report on the Portland doctor; as you can see, he's triple-A all the way. Here's a title insurance policy on the land he has bought, which naturally would show your interest should you buy the mortgage. And here's an independent appraisal by a real estate firm in Portland on the land itself. You'll note that they value the land at over $90,000, and that's less than a year since the day it was purchased."

Dr. Widnap scanned the papers quickly, wanting to show that he was indeed checking out the credentials, but quickly enough to let Nicely get on with his proposition.

"Here's how it would work. There's currently a balance owing of $50,000. At the rate he's making his payments it'll be all paid in five years. The rate on the mortgage is 8 percent simple interest each year on the unpaid balance. That, of course, isn't nearly enough to satisfy you, I realize. But you can buy this mortgage for only $30,000. That's right, $20,000 less than face value. That means that over the next five years you receive, in addition to the 8 percent interest, $20,000 more than what you put in—that's an extra $4,000 per year on your $30,000 investment, or a yield of slightly better than 13 percent. Add the 8 percent interest to that and you come out with a total return on your money of over 21 percent per year. Not bad, eh?"

"You mean," the doctor asked quizzically, "that they have such a large profit on these lots that they can afford to offer such a huge discount on the mortgages?"

"That's right," nodded Nicely with a smile. "And not only that, but think of the tax-loss carry forward they realize by discounting these receivables!"

Dr. Widnap nodded eagerly, as if he knew what Nicely was talking about. "Then I think I still should be

in a position to have some stock in the company," he proffered.

"Well, as I mentioned," said Nicely, "they have a stock issue coming out within a year. As an incentive to get investors to buy these mortgages, the company is willing to give you the right to buy stock at par value, equal to the amount still owing on the mortgages at the time the stock is issued. In other words, if, when the issue comes out, you still have $40,000 coming to you, you have the right to buy $40,000 worth of stock at the absolute ground floor level at that time. I don't think they can do more than that, don't you agree, Doctor?"

The doctor agreed readily, and asked about the guarantees that Nicely had mentioned.

"Well, looking at the credentials of the Portland doctor, I don't know that a guarantee would really be needed. However, for the sake of your peace of mind, the company itself guarantees that if you ever become dissatisfied with the situation—if the doctor in Portland ever misses a payment or starts running late on his payments—the company will replace that mortgage with another one of equal value. And if that one turns sour, they'll replace it with another one.

"And now, Doctor, you're about to ask me how I know that there will be mortgages available to replace ones that go sour. Well, my own firm, United Respectable Investment Bankers, wouldn't get involved with any kind of operation that we didn't think was perfectly valid. That's another guarantee for you. But just to be *totally* on the safe side, we have made them put a reserve into escrow consisting of good quality mortgages that will be used as replacements should the need arise. In other words, if all the mortgages that they sell should go bad we have a complete supply of replacements available immediately, and we guarantee this to you in writing."

"And what about the tax shelter?" the Doctor asked.

"Ah, yes. Now you'll have to double-check this with your accountant, but all our other investors have done so, and they've been assured that it's okay. The interest that you receive is, of course, ordinary income. But the difference between what you pay and the total amount of the mortgage—the $4,000 per year—comes in at capital gains rates, substantially less taxable than your ordinary income. Thus for a man in your bracket the yield on paper of 21 percent would actually be equivalent to over 35 percent if you were putting this money into investments that paid off in ordinary income."

The echo of the cash register ringing was still resounding in Dr. Widnap's head as he buzzed his nurse and asked her to bring in his checkbook. The warning signals tried vainly to get through, and Dr. Widnap hesitated momentarily before he started writing the check.

Nicely then administered the clincher. "Doctor, I didn't mention this earlier because I didn't want you to be influenced by any factors that weren't *absolutely* certain. I wanted you to make up your mind based on *facts,* not *promises* that might not be deliverable. But since you're apparently ready to go ahead, based on *your own discreet judgment,* I can tell you this. We have our attorneys working on a strange quirk in the tax laws that affects real estate investments. And it looks very likely that after about a year from now, you won't have *any* income tax payments to worry about with respect to this investment. Now, I can't promise that that will happen, but if it does, just consider it something extra that you didn't anticipate."

The clang of the cash register exploded again in Dr. Widnap's head. He was thinking now of the other physicians in town who referred patients to him, and how he might keep them happy as a favor in return. "Would you mind if I mentioned this investment to some of my colleagues?" he asked Nicely.

"Well," said Nicely, "we don't accept just *anyone* as clients, but if they come with your recommendation, I'd certainly be happy to at least talk to them. Thank you for your check, Doctor. I'm sure that this is a day you'll remember."

Dreams for Sale: Epilogue

The scene is a dismal, dreary windswept plain. Out on the horizon, as far as the eye can see, is more dreary, dismal windswept plain.

It is as inviting as the heath upon which Macbeth's witch friends convened.

It is as populated as the deserts which Lawrence of Arabia traversed.

It is as homey as the Siberian tundra which was the residence of Ivan Denisovitch during his decade in a slave labor camp.

It is Agua Caldo Estates.

In the distance we see a swirling cloud of dust which, as we watch, begins to take the shape of human forms. There are, in all, three ghostly apparitions. They stand in a circle, wailing and moaning. As we approach we can hear them speaking, and we suddenly know where we are:

We are in Lost Money Heaven.

Voices from the Spirit World

The Ghost of Eddie's Money speaks:

"He worked so hard to save me, it's a shame I had to go so soon. I had visions of taking care of him in those happy retirement years he was looking forward to so eagerly. I could have done so much for him. But he sent in a coupon from a matchbook cover and that was the beginning of the end for me. A salesman called on him a few weeks later and weaved a spell he couldn't resist. He transformed this barren bog, at least in Eddie's mind, into a

latter-day Camelot. It was to be replete with golf courses, well-stocked lakes, health clubs, ski runs, and a miniature version of Sherwood Forest for the pleasure of nature lovers.

"Poor Eddie was so naive, he was an easy mark for the salesman. He made a vague attempt at reading the contract and other documents, but he didn't really understand all that legal jargon and he was embarrassed to admit it. So he didn't seek further guidance.

"Oh, and the statements Eddie swallowed hook, line and sinker: . . . that roads, and electricity, and telephone lines, and water lines, and sewage lines were 'under way' . . . that the golf club and lake would be finished by the next summer . . . that if Eddie didn't like the lot he had bought, he could switch to any other lot in the development at no extra cost . . . that if Eddie really became dissatisfied, the company would take it upon themselves to sell the lot for him and he could keep all the proceeds, minus a 'small service fee.'

"The clincher came when the salesman asked Eddie, 'How far wrong can you go for $79 down?' Eddie signed the contract and started making his payments. A year later he scraped together some more money and flew out to visit his dream location. He was shattered. There was no golf course, no lake, no nothing. Even the sales office on the site was shuttered up and weather-beaten. Eddie returned home and wrote the company, asking what had become of his money and his lot.

"They stalled him for three more months with some blather about switching his lot to any other one he chose. Having seen the property Eddie knew better and refused. He asked them to sell the lot for him so he could recoup what he'd paid in so far. A few months later the company said they had sold his lot, and after deducting the service charge of $750, they were remitting to him the difference—$18.47.

"Eddie was enraged. He had already paid over $1,000, and there was still more than $4,000 due on his contract. But he figured he had at least cut his losses, and he'd chalk it off as a bad experience. He stopped making his payments.

"Within a month the finance company that had been carrying his contract started to dun him for the money he owed them. Before Eddie could get to a lawyer the finance company started to foreclose on the mortgage they held on Eddie's house which, unbeknownst to him, he had signed away when he signed the original contract. By the time all of the entanglements were straighened out Eddie had settled the matter by paying another $2,000—all that was left of me.

"What can be said? Now that it's all over Eddie realizes his mistakes, but he's still a bitter man. I can't blame him, I guess, but by the same token, you have to admit that he wasn't without some fault.

"So I met an early end. What a way to go. If he could have at least enjoyed losing me it might not have been so bad. Ah me, ah me. Folks work so hard to collect us, then they end up saying, 'it's only money.' "

The Ghost of Stan and Shirley's Money speaks:

"I went down the tube so fast I never knew what hit me. Stan got so caught up in the enthusiasm of that phony meeting that he ended up buying three lots instead of one. To top it off, he made a much larger than normal down payment so he could, as he put it, keep his monthly payments lower. For a guy that you would think should know better, the lure of making a fast buck sure did him in quick. I think maybe he was trying to impress someone.

"Once Santa had gotten hold of him on the airplane, it was just a matter of time. I almost think that even if he had realized the sales meeting was full of shills and all

those people were working for the company, he might still have gone ahead with it.

"He did try to keep track of me. Every few months he'd inquire of the developer whether or not the recreational facilities were under way. They kept putting him off and putting him off, saying that there'd been a delay in this building permit, in letting that contract, in obtaining those funds.

"After about a year he contacted a real estate agent in the nearest town—about 40 miles away—and asked him what he could get for the lots if he sold them now. The agent laughed and said that if he could get $100 per lot he'd be darn lucky. All this time Stan wasn't really that worried, because he had Santa's written guarantee that he could get all his money back if he was ever dissatisfied. He tried to contact Santa, only to find that he was no longer with the company. When he told the company of the money-back guarantee, which was written on Santa's own personal letterhead, the company laughed and said that statements made by a salesman weren't binding on the company unless the statements were actually written into the contract itself.

"When Stan finally realized how stuck he was on the deal, he finally contacted a lawyer. After some initial investigation the lawyer announced to Stan that he didn't have a deed and wouldn't get one until *all* the payments had been made. Further, the lawyer told him, there was a clause in the contract which would require all property owners, Stan included, to defray the full cost of all utilities and improvements—that contrary to what Stan had believed, those matters would *not* be provided as part of the deal. And, he estimated, the improvements could end up costing more than the lots themselves had cost.

"Further investigation disclosed that seven different people had purchased the same lots Stan had purchased.

That's when Stan compounded his error and decided to throw good money after bad. He told the lawyer to pursue the matter right down to the end, even if it involved having the lawyer fly out to Nevada at Stan's expense. The lawyer was just about to do so when he learned that the company had gone into bankruptcy. He then advised Stan that the only thing he could do was to settle back and hope for the best; if the Bankruptcy Trustee could ever unravel the spaghetti dish of interlocking corporations and conflicting land documents, maybe Stan could come out with a few cents on the dollar. That was four years ago, and it's hardly any closer to a solution now than it was then.

"Meanwhile, Stan went deeply into debt and his 'image' among his peers suffered. Word leaked out of the foolish move Stan had made, and this didn't do him any good with his upper-rung bosses. Bad enough he lost me, but on top of it, the extra time and aggravation that went down the drain made matters all the worse.

"If anybody knows the straight scoop, it's us dollars. You just can't collect an awful lot of us in a hurry. But don't try to tell that to some people."

The Ghost of Dr. Widnap's Lost Money speaks:

"Oh boy! He couldn't have gotten rid of me faster if he had shot me into orbit. This was the perfect example of a 'too good to be true' situation, and old Doc was so hungry for money that any common sense he had was completely obliterated by his *greed.*

"That old smoothie, J. Fairly Nicely, even told the Doc what to expect when he said, 'this is a day you'll never forget,' and 'a year from now you won't have to worry about any income tax payments on this investment.'

"That's because a year after Doc wrote the check he never received another penny. Those sharpies kept Doc peaceful and happy for a whole year, making payments

regularly, and leading him to believe that everything was coming up roses. He even brought a couple of his friends into the deal and they couldn't have been happier —until that year was up.

"He tried to find out why the payments had stopped so suddenly and why his letters weren't answered. Then he called a colleague in Los Angeles to go around to the "world headquarters" building of United Respectable Bankers; he found that it was a used car lot and had been one for the last 15 years.

"He wrote a letter to the doctor in Portland who was supposed to be making the payments to him, and his letter was returned marked 'No Such Address.' Then he did something he kicked himself for not having done a year earlier—he called Information in Portland, and learned that there was no such person listed by that name in the phone book. The address turned out to be an abandoned cigar factory and the Doctor turned out to be not at all.

"All too late the light had dawned on him. It was all fictitious—no such doctor, no such credit report, no such mortgage—the documents had all been forged, including the title insurance policy and the appraisal.

"In the one year that Doc was in the deal, they paid him back $10,000 of the $30,000 he had invested. The other $20,000 you're looking at. Gone forever.

"Now here was a so-called smart investor. He should have known things and had access to information and professional help that other people don't know even exist. He had the money to buy the information he needed and he'd never even miss it. Heck, it's tax deductible. But that big "get-rich-quick" lure got the best of him. He might not miss the $20,000, but he's sure going to miss the referrals that he used to get from the friends he brought into the deal. Doc would prefer the rest of the world never knew what happened, but those

friends of his are making quite a point of telling all of their colleagues, their colleagues' wives, and their colleagues wives' bridge clubs just how old Doc really put it to them.

"One of them has even started a lawsuit accusing him of complicity in the swindle. And Doc's lawyer is having no mercy on him in the fee he's charging to defend him.

"I don't have any pity on Doc. I could have fed five or ten families pretty nicely for a year or so. And you know the funniest thing of all? As smart as Doc is and as much as this lesson taught him, next time some sharpie comes along with a bigger and better deal Doc's going to hear that cash register ringing just like he did the first time, and I'm going to be joined by some of my distant cousins in a twinkling. You can bet on it."

The Stories of Eddie, Stan and Shirley, and Doctor Widnap are True

Actually they are a conglomeration of many experiences that the American public has had with one of the most booming areas of swindle in modern days: LAND FRAUD.

The examples are intended to give you some idea as to the connivances, manipulations, and human weaknesses that make Snake Oil Sam, the land developer, a thriving businessman. And yet they only scratch the surface. Officials with the Office of Interstate Land Sales Registration (a division within the Department of Housing and Urban Development) estimate that "at least tens of millions of dollars" are lost every year in shady land deals. They further admit that there is really no way to adequately gauge the true losses, since there is no statistical reporting on the subject.

Before we take a closer look at this phenomenon, let's set some ground rules.

1. Good land, wisely bought, can be both a good invest-

ment and a desirable commodity for purposes of personal pleasure and business. Later in this section we'll discuss some of the necessary steps in finding and buying land wisely.

2. Poor land, foolishly bought, can be a disaster.

3. The big differences between a wise purchase and a poor purchase are common sense, the use you make of professional advisers, common sense, your resistance to impulse, and common sense.

The Myth of Disappearing Land

One of Snake Oil Sam's biggest propaganda weapons—and one which everybody tends to believe—is the old saying, "Land is the best investment there is, 'cause they ain't going to print no more of it." The obvious inference is that we all ought to rush out and buy land before there's no more left to buy. A look at some basic facts shows what an absurd presumption this is.

First: While it might be true in a far-fetched sense that "they ain't going to print no more land," it's equally true, but in a realistic sense, that we're not going to run out of land either. We are going to run out of such functional commodities as oil, coal, gold, silver, lead, zinc, tin, water, and possibly air. They will, for the most part, cease to exist and they'll have to be replaced by something of comparable function.

But we're not going to "run out" of land. It will always be there. It may get crowded. And it may be subjected to different uses—some creating high values, and some creating low values. But it won't disappear.

Furthermore, as has been proven already in many parts of the world, they *are,* in fact, "printing" more land. Reclamation projects in tidal areas, bays, riverfronts, and the like, have indeed created vast amounts of usable

new land through massive dredging processes and other means. Also, technology has made possible the redevelopment of formerly useless land into highly usable and valuable land—witness the deserts of Israel and Arizona. Land as a natural resource, for whatever purposes, exists in far greater abundance than the "land boom" promoters would have us think.

Second: There's no need to rush. Rushing means impulse, and impulse means mistakes. If you don't buy this week or this month or this year, there's going to be plenty still available next year, or next decade. Sure, the price might be going up, but so does the price of everything. So does your income. The price can also go down. It happens every day.

Why rush? The state of Colorado contains just over 100,000 square miles, or roughly 64 million acres. It's estimated that by the year 2,000 A.D. there will be roughly 320 million people living in the United States. If you wanted to create the real granddaddy land development of them all, you could put the entire population of the country in the year 2,000 within the boundaries of the state of Colorado, and at a density ratio of only five people per acre. That's like giving the average size family three fourths of an acre (a parcel roughly 100 feet by 300 feet), and plots a little less than half that size for singles.

Such a development would have a population density of 3,200 people per square mile. By comparison, the city of New York currently packs in close to 26,000 people per square mile, with Manhattan alone accounting for close to 75,000 people per square mile. Chicagoans are now sardined at the rate of about 16,000 per square mile; Detroit averages 12,000 per square mile; and even sprawling Los Angeles numbers close to 7,000 per square mile.

Areas running close to that 3,200 per square mile den-

sity are cities not noted for urban congestion: places such as Albuquerque, Des Moines, Salt Lake City, Tacoma and Tucson. If you think there are too many mountains in Colorado to accommodate all those folks, just move next door to the combined states of Nebraska and Kansas, where you've got roughly 160,000 square miles, or about 100 million acres. Enough land to accommodate our 2,000 A.D. population at the rate of just over three people per acre.

Third: All too often, we don't have an adequate grasp of the vast differences that exist in land with respect to its *value,* and its *price.* Lacking professional expertise, we have very little to go on in evaluating land. We don't buy a few pounds of land every week at the supermarket. We don't buy a wardrobe worth of land every year or so at our clothing store. We don't buy three hundred horsepower of land every two or three years at the auto dealer's. We may buy land once or twice in a lifetime. The great likelihood is that if it's only one time, it's a lot with a house on it and on a street where you can readily check comparable values and know what you're getting for your money.

It's easy for Snake Oil Sam to say, or even guarantee, "that the *value* of this land will triple in five years." The *value* of the land may be $50 an acre, and Sam himself could force the value up to $150 an acre. But the *price* he's asking for it might be $5,000 an acre, and the price you can get for it in five years isn't likely to triple. More likely, it will shrink if it's a shady development—and often you don't know whether it is or not until it's too late.

Fourth: The "Greater Fool Theory" doesn't operate in land transactions as it does in the stock market. The Theory, as it operates in the stock market, dictates that if you buy a given stock at a given price, whatever that price, a Greater Fool will likely come along and buy it

from you at a still higher price. Brokers don't like to think along those lines and they certainly don't advocate reliance on the theory, but that's the strategy, or at least the frame of mind, that we often adopt when we take a plunge.

But the stock market is a tremendously active marketplace where buyers and sellers are brought together by the thousands everyday. That's the purpose of the exchanges—to bring buyers and sellers together: Greater Fool Alumni and Greater Fool Novices.

It's the opposite with land. There are immense and hyperactive sales organizations geared to find buyers. But once you become a buyer there is no such organization to find a buyer *from* you once you decide to become a seller. You're on your own. If you can't afford to mount a slick, expensive promotional campaign to sell your lots, you're not going to find that Greater Fool.

Making matters worse is the fact that if you do decide to sell, you're very likely up against the toughest competition of all: the original developer himself. If you decide to sell while the developer is still actively pushing the project, don't be surprised if legitimate realtors turn you down cold if you ask them to represent you. They know what they're up against.

Also, while you're sitting around as a stockholder waiting for your Greater Fool to show up, your investment might be paying you some money. But with land you don't get any dividends. Instead you'll be paying out more money in taxes, interest, and possibly improvements. Thus, even if you hit it lucky and the value of your land is going up, the expenses that you're incurring are pulling it back down again. If the value of the land happens to be going down, the expenses multiply that effect.

Lastly, Greater Fools in the stock market don't ask you why you're selling. They don't even know that it's you that's selling, and they could care less. But in order to

become a Greater Fool in the land market, there's a good chance you're going to ask the seller why he's selling. If you're asked, what will you tell a potential buyer and still hope he might buy?

Fifth: There's a ready tendency to think that land out in the country is "cheap at the price." We don't adequately consider that such raw land will have no utilities or that you, the lot owner, may have to pay a substantial amount to bring utilities in. At the same time, there might be developed land on the fringes of large or small cities, with all utilities and conveniences, selling for a comparable amount as the far-away raw land. Granted, such lots might not have the same kind of "vacation home" appeal, but in terms of salability and potential for increase in value they could be far more appealing.

Sixth: In the rosy glow of the sales pitch and the contemplation of great pleasures or rewards, you may fail to consider how much actual use you're going to make of the land if you decide it's to be for living purposes rather than investment purposes. Once you own the raw land, you've got to obtain the needed utilities for personal comforts. Then you've got to build something. If the something you're going to build is more than a lean-to and the place is more than a few hours away, you've got some jumbo problems to wrestle with to get it built.

Let's say you overcome those problems and finally have yourself a little cabin. Now: how much will you use it? How many months of the year will the roads be passable? How many weekends per month will you haul your family into the wagon and drive for how many hours to get there and back? How soon will you get tired of it and wish you'd never gotten involved? One year? Two years? Three years? Human endurance records at various leisure activities aren't always as long as we imagine they might be.

Seventh: If you're buying land, as many do, to "get

away from it all," and you do buy into a successful development—one of many that are well laid out, properly financed, well maintained—will you find yourself going out of the frying pan and into the fire? If the development is a success, will you find that the "all" you sought to get away from has followed you to your second home site? (If the development isn't a success, this will be the least of your worries.)

Eighth: Perhaps the biggest myth of all is that the developer is selling you a piece of land and you, the buyer, are buying a piece of land. In the cold light of day, it isn't always like that.

Chances are that you, the buyer, are buying not land, but a dream—escape from the city, the rat race, the humdrum. Back to nature. Freedom. A new life. Since we all suffer from the malady to some extent, we're all at least partially vulnerable to the sales pitch before it even begins. The grasping salesman knows this, and he acts accordingly.

To the unscrupulous promoter, the land is not the commodity but the means to an end—the end being the creating of negotiable IOUs, which means money. To him land is a money-making machine. If he's sharp, he can buy huge quantities of it with very little money down. He has to do very little to his raw material—no factories, no manufacturing, no packaging, no transportation, and not much need to worry about bringing in repeat customers.

Due largely to the public's lack of knowledge of land values and costs, he can market his commodity at a far higher price per unit than what he paid for it. The buyer can similarly obtain it with a very low down payment, but with a very large IOU in relation to the probable value of the land. In other words, the developer has used a very small amount of his own money to create a very large amount of IOUs of other people's money.

He proceeds to cash them in, selling them to banks,

finance companies, and investors, very often at a substantial discount, giving the investor a "good deal," and getting his hefty profit out in advance. The earlier case of Dr. Widnap was a situation gone wild. The peddling of phony mortgages is not widespread, but it is insidious and likely to grow, lacking any form of regulation. But the run-of-the-mill land development programs, legitimate and otherwise, use this basic formula for generating money. One critical distinction between high and low quality developers is how much incentive they have to put in the promised improvements if they have already taken their profits out in advance.

This all makes for a rather curious rapport between the buyer and the developer. Since the buyer is buying a dream—the expectation of things to be—he may not be so concerned with things as they really are today. He's anticipating what it will be like in the future, so his vision is obscured. This is fine for the developer, since it takes the pressure of performance off him. Even better for the developer is the fact that the buyer is willing to sign his name on an IOU for the future dream, and his fantasy need bear little relationship to today's reality. These interests fit quite nicely together, and the traps that lie within this scheme of things are wondrous to behold.

How Do Losses Occur?

The fish sees the worm swimming in the water, and he thinks to himself, "Aha, there's a morsel of food that I don't have to do any work to get—something for nothing. A lot for a little." Little does he realize until he has taken the bait that there's a hook inside. Once he recovers from the first sharp sting he says, "No matter, I'll just shake it off and be on my way." And little does he know of the barb at the end of the fish hook which has now lodged itself permanently in his mouth. Shake though he will, there is no escape.

The workings of frauds and swindles are as simple as the fish taking the bait, and land swindles are no different. There are three basic human failings present in nearly every type of scheme, and they're easy to spot if you know what to look for.

1. *The failure of the victim's common sense.* The first fatal flaw in our common sense is the attitude that "it can't happen to me." Such an attitude makes us complacent, and we will very likely fail to spot the swindle signals even if they're waving frantically in front of our faces. If we realize that it *can* happen to us, we'll be more alert to spotting these signals.

Then, like the unaware fish, our common sense succumbs to the ever-fatal three G's: Greed, Gullibility, and Guile. Our greed is our own worst enemy; when we believe that we're getting something for nothing, or a lot for a little, or a real bargain, our reasoning processes can rapidly grind to a screeching halt.

Gullibility is a curious human trait to which some of us are more susceptible than others. In essence, the salesman has won our confidence. We believe what he tells us. We don't seek the facts regarding what he *hasn't* told us. And we let him lead us into believing what we *want* to believe. When faced with an actual decision about buying a parcel of land, we *want* to believe that such a transaction will provide us with the pleasure and rewards we're seeking. In the more rational segment of our brain we know there's a chance it won't happen. But with the salesman's careful coaching, we find ourselves dwelling on wishful thinking. We shoo away skeptical thoughts because we fear that the skeptic in us is out to deprive us of the happiness we're seeking. It's that Gullible Beast that keeps whispering in our ears, "How far wrong can you go?" "What have you got to lose?" The skeptic answers, "You can go very far wrong

and lose a bundle." Following the lead of the Gullible Beast might, just might, lead us to a new-found happiness. Following the lead of the skeptic will leave us at status quo. So we take our chances with the Beast.

Guile is the aggregate of all the tactics to which we're going to be subjected. The initial advertising and promotional campaign, the training of the salesmen, the design and structure of the documents, legal and otherwise, and the fabrication of the labyrinth in which we might ultimately find ourselves. All of these elements are carefully programmed to entice, and then entrap us. Snake Oil Sam at his cleverest knows that he stands a better chance of success if he mimics the legitimate land developers. If he comes on like a carnival barker, he's liable to turn some of us off. But if he comes on with the same kind of straight-arrow approach that the normal businessman will use, it might be too late for us before we've been able to spot the difference.

The initial advertising campaign has been carefully geared by experts in that field to appeal to our basic motives—the dreams we're seeking, the money we want to make, the credentials with which we hope to impress others. By responding to such advertising, be it a matchbook coupon, attendance at a dinner party, or inviting a salesman to our house, we are admitting in effect that those basic motives have been awakened and are open for manipulation.

The salesman, in addition to his own natural attributes, has been carefully trained to deal with us. He has carefully prepared answers to every doubt or objection we might raise. His persuasive abilities have anticipated our strong points and our weak points, and he'll zero in on those weak points.

The documents, legal and otherwise, will all have been prepared to fit at least approximately within the

dictates of the law. If structured carefully, they might lead us to believe we can cope with them ourselves, and thus we neglect to seek the aid of outside counsel.

The final labyrinth in which we can become entrapped is perhaps the cleverest trap of all. Snake Oil Sam can have us running down blind alleys and making wrong turns for such a long time that we eventually either give up in despair or, when we find the exit, also find that Sam has long since left the scene and we have no recourse against anyone.

The three G's: Greed, Gullibility and Guile. Watch out for them. Snake Oil Sam is.

2. *The failure of the victim to realize the legal implications of his actions.* Land transactions of any kind, whether you're buying a house in your home town or a piece of land at Agua Caldo Estates, can involve a deluge of paperwork. Most of the papers involved establish legal responsibilities or obligations which can either help you or harm you, depending on what you do with them.

There might be sales brochures which could contain misleading statements. Properly utilized by you, such documents could help substantiate evidence of a fraud if one has been perpetrated.

There might be documents which the developer is required by law to give you. You might not read them, and you might not be required to sign them, but they can have strong implications with regard to your ultimate rights. These will be discussed shortly.

Most critical is the actual agreements you sign, which may contain the financing contract as well. If the financing is covered in a separate document, it's of equal importance to the sales contract itself.

With regard to such contracts and agreements, let the following be absolutely and explicitly understood:

A. The contract is a document which, when signed, creates certain legal rights and obligations. If you don't know what legal rights and obligations you are getting involved in, you have no business signing the contract. The proper way to find out what the legal rights and obligations are is to visit with an attorney. Why get involved in thousands of dollars worth of possible mess when, for a fraction of that, you could avoid problems by seeing a lawyer?

B. Once a contract is in force its clauses can be enforced by courts of law. If you don't think that the other guy is going to take every means to enforce his rights under the contract, you're mistaken. If you don't know what the other guy's rights are and how they can affect you, you shouldn't sign the contract. Again, see your lawyer *before* you lift up a pen.

C. Spoken statements or promises relating to the deal are *absolutely meaningless if they are not specifically written into the contract.* Read that sentence aloud three times. Once such a clause is added to a contract it must be initialed by *both* parties, to show that both parties consent to the change. If such a change creates an obligation on the part of the other guy and he does not initial that change, he could argue that you put the change in yourself without his knowledge or consent, and therefore it might be construed as not being binding on him. Then where are you?

D. Once you have signed a contract or financing agreement, it's very likely that the other fellow can "sell" the contract to an independent third party. He thus gets his money out and you're obliged to make your payments to this third party. Because of the prevailing law of the land (The Holder in Due Course Law), that third party's rights to collect on your IOU may not be affected by any claim you may have against the original seller. In other words, if you buy land and

then find you don't like it, and your contract has been sold to a third party, you may still have to make your payments to them even though you have some other claim against the seller.

E. Once you've signed the contract, *you can't get out* unless the contract has some clear and unmistakable clause stating that you can get out, and under what circumstances. Such a clause should also clearly state, in dollars or percentages, how much money, if any, you're entitled to get back. For example: One common "promise" made by some land promoters is that you can get out of the contract if you don't like the land. That may be what the salesman says, but the contract itself might state, "If, within six months of purchase date, you visit the land at your own expense and you don't like what you see, then you can get out." If that's the case, and you missed the time limit, or aren't willing to spend a few hundred dollars of your own money to take a look at your land, you have lost your "out" clause.

The bane of a lawyer's existence is the client who comes to him and says, "I've just signed this contract. Would you tell me if I did okay or not?" Once the contract is signed there's little the lawyer can do unless there is provable fraud in the document surrounding the transaction. The simple solution? DO NOT SIGN ANY CONTRACTS UNTIL YOU HAVE HAD YOUR LAWYER REVIEW THEM AND TELL YOU EXACTLY WHAT YOUR LEGAL RIGHTS AND OBLIGATIONS ARE, AND WHAT THE LEGAL RIGHTS AND OBLIGATIONS OF THE OTHER PARTY ARE.

3. *The failure of the victim to take the proper steps once he finds himself entrapped.* The poor fish has little choice but to struggle against the barbed hook. But we human creatures are more fortunate. We do have choices

but we must be aware of them and take action. Finding that we're trapped, and resigning ourselves to our fate, is dangerous in two ways. We're possibly missing out on steps that could extricate us from the trap; and we're failing to warn our friends and neighbors of the scheme, which is exactly what Snake Oil Sam wants. This gives him time to perpetrate more schemes, and time to disappear.

Land schemes are ideally suited to exploit this third failing, for the awareness that one is trapped may not dawn for years, by which time we may automatically figure it's too late to do anything. If you've bought a piece of land sight-unseen, a year or two might elapse before you ever do see it, if then. If you've bought a piece of land after visiting it, and you've been promised certain improvements, a year or two might elapse before you realize that the promises aren't being kept.

Once you realize you've been bilked, you might be too embarrassed to admit it; or you may not bother to report it because you don't feel it will do any good. You may be right. If everyone that had been bilked had kept their mouths shut, you'd certainly be right. But as more and more people are speaking out, public information grows and the ability of government agencies to intervene gets stronger. Specific agencies concerned with land transactions will be noted later.

More Than One Way to Lose a Bundle

Another common misconception about land promotions is that losses occur only where somebody buys into a deal and later learns that the land is barren desert, or under some swamp, or doesn't exist at all. This is indeed a dangerous notion, for huge losses can occur where the land is relatively good. Just because the land really does exist in fairly good shape doesn't mean that you can't get clobbered.

Statistics don't exist as to how many dollars are lost

per year in land deals, or in what manner they're lost. But in addition to the underwater/desert/nonexistent land schemes, the following situations can lead to whopping losses:

Land purchasers may make payments for years, totalling thousands of dollars, before they become aware of the fact that their deal is a bummer. The developer may have gone out of business; the utilities may never have been installed; or the buyer simply has become disenchanted with his venture. This, then, is the situation where the buyer forfeits whatever money he has paid and turns the land back to the developer, perhaps with the hope of getting some of his money back. That's where the loss is compounded because what he gets back, if anything, will almost certainly be far less than what he's paid.

Abandonment is akin to forfeiture. There may be hundreds of millions of dollars worth of lots lying all around the country that have been abandoned by their owners. This money may not be lost forever, for by some miracle or other stretch of luck, years down the line the money might be retrieved. In the meantime a typical situation finds an investor in a paid-up parcel anticipating to sell his land and reap a profit. He thinks he has money in the bank. Then he learns to his dismay that there is no profit to be had. More likely, he'd suffer a loss if he sold. He may be paying interest on money he borrowed to buy the land or, if not, he has a lot of money tied up that isn't earning anything for him. He's also paying taxes on the land and possibly other expenses. He may hold onto it over the years, watching more dollars trickle away, or he may just give it up and let the locality sell it for unpaid back taxes—and such buyers for such land are scarce, to say the least. In any event, he has for all intents and purposes given his investment up as lost.

Okay, so you're not going to buy any underwater/

desert/ nonexistent land; and you're not going to forfeit any land; and you're not going to abandon any land. If you get involved, you say, and it doesn't work out right, you're going to fight tooth and nail to get what's coming to you. Perhaps the most vexing type of loss is involved where the developer himself gets into a jam, such as bankruptcy, and the owners of the property who have not yet received deeds (a very common occurrence) find themselves trapped in the tangle of bankruptcy laws. Years may go by, and all you might hope for is a few cents on the dollar. Unless your lawyer can assure you to the contrary, this menace hangs over your head. Thus, before you sign the contract you must ask yourself, "What if the developer does get messed up before I have clear title to the land?" The answer is very likely to be that you could get embroiled in one helluva mess. Keep that in mind.

So You Want to Buy Land?

Isn't that a silly question, you might be thinking, after all the foregoing pages of warnings and cautions. Well, to repeat an earlier statement: good land, wisely bought, can provide benefits related to personal pleasures and investment objectives. But, contrary to what Snake Oil Sam would have you believe, good things don't come easily. Proper buying of good land takes a lot of homework, a lot of study, and some expense for professional expertise. If you're going to be spending a considerable sum of money, which you can't get back out readily, you owe it to yourself to follow the basic precautions essential to a wise land buy.

Before getting into the precautions, be fully aware that *you don't have to wait until a development comes to your attention via advertising* if you are interested in buying land. If you know the kind of land you're looking for and the area that would suit you, you can, and perhaps

should, take the initiative and contact reputable realtors in that area to find out what's available, and at what price. If you have clearly stated your goals and your budget you can, in this way, be dealing on a one-to-one basis with a local professional person who might have a large variety of parcels to offer you, rather than one specific development.

The Quest

As you set forth in your quest for good land, these are the four things that you must know about: 1. The land. 2. The developer. 3. Yourself. 4. The law. Let's take these in order.

1. The Land

The first and foremost precaution to the inexperienced land buyer is to hire an independent appraiser and have him give you an honest study as to the true current market value on the land. Yes, it will cost some money. But there is no better way for you to get anything resembling an impartial opinion on what you're putting your money into.

Next, there's no substitute for seeing the land itself before you sign any contracts. This does not mean flying over it in an airplane; it means walking the length and breadth of it and inspecting the surrounding area. Depending on the locale, it may mean either pacing it off at different times of the year to determine what the rains, snows, and spring upheavals can do it; or determining from a reputable source what the condition the land is in during different seasons. You can be subjected to all the movies, slide shows, brochures, and sales pitches in the world, but actually putting your feet on the land is the only way to know what you're getting. As pointed out earlier, even this basic precaution doesn't suffice, particularly where certain improvements are promised and

the chance exists that they won't be delivered. Your investigation of the developer is important in this regard.

Then unless you plan on keeping the land completely undeveloped, there are other steps you should follow. If you're dealing with a shady promoter, the land you inspect could shrink or shift by the time it gets described legally in a deed. Even with legitimate developers there can be slight errors of boundaries and dimensions which might not be noticeable but which could affect your basic investment. To avoid such errors, either intended or not, the hiring of a licensed surveyor to give you an accurate description is essential. This description should be specifically set forth in the sales contract itself. If your sales contract refers to your parcel, as, for example, Plot Two in Section Four, you're at the mercy of the developer if he intends to pull any tricks. If he has filed a registered subdivision map with the appropriate local governmental agency, that specific parcel should be legally defined if you're to be on the safe side. But unless you go to the trouble of determining if such a subdivision exists and has been filed, and unless you're protected against any unauthorized changes in the initial filing of the subdivision map, you're still possibly up in the air. The best way to avoid any problems is to have your own legal survey done, and to have it specifically set forth in your sales contract.

Depending on the type of building you're contemplating for the lot, soil and percolation tests should be conducted by a licensed engineer before you become involved in paying for the land. These tests will disclose the nature and bearing capacity of the soil, and the depth of the water table. You don't want to build something that's going to sink into the muck come next spring. Nor do you want to find out after it's too late that in order to build the structure you have to install expensive pil-

ings or other devices to guarantee the safety of the structure.

These tests will resolve such problems in advance. An accurate topographical survey is also important if you're planning on any building. The topographical survey, when studied by your architect or contractor, will disclose whether there's any danger of water running onto your property, and how much excavation, cutting, and filling might be needed to put the land in the proper condition for your anticipated construction.

Beyond the physical tests, there are some other investigations that should be worthwhile. What is the zoning of the land, and of the surrounding land? Do not go just by what you've been told by the salesman, but check what the official zoning maps of the area state. If you've been led to believe that the land across the road from your parcel is residential but the official zoning map shows that it's industrial, you may have cause for second thoughts.

What about tax assessments? Probably land out in the country will be assessed either on an unused or agricultural basis, which could produce a very low annual tax bill. But if the land has already been reassessed as residential building lots, or is about to be in the near future, your annual carrying charges for taxes could zoom upward considerably. You should determine in advance what your tax liabilities on the land will be, and plan accordingly.

If you're buying a lot either because it's "just minutes away from the new Interstate," or because it's "far removed from the hustle and bustle," you'd better check with the state highway department as to just where roads will or will not be going. It can make a big difference. The same goes for other government projects, such as lakes and reservoirs to be formed by dams to be built. Trusting your own eyes or taking the salesman's word for it

could be troublesome. It's best to check it out independently.

2. The Developer

Who is he, or what? What has he done before? Where? How successfully? What is his financial strength? He can probably offer you references, but remember that nobody in the business world is likely to give detrimental references. It is perhaps better to seek out references on your own.

Regarding his financial status, your banker should be able to dig up pertinent information that you might not otherwise get through the developer. And while you're talking to your banker, ask him what financing arrangements he can offer if you buy the land. His reaction might sway you one way or the other about getting involved, either because of the quality of the deal itself or because of your own financial ability to handle the deal.

Regarding the developer's ability to perform, check if possible with people who have dealt with him. Have specific promises been specifically performed? Have complaints been adjusted fairly and promptly?

Regarding his reputation, you can learn whether complaints have been filed against him by writing a few letters. Inquiries should go to the Office of Interstate Land Sales Registration, Department of Housing and Urban Development, Washington, D.C. 20411; also to the Real Estate Commissioners in the states in which the dealer is headquartered and in which the land itself is located; also to the Better Business Bureau in your own community, the city in which the dealer is headquartered, and the city nearest to where the land is located; also to the Attorney Generals of those same three states (where you, the land, and the developer reside). Another good source of information can be the appropriate local

newspapers. Given the facts, you can make your own evaluations accordingly. Without the facts, you're simply guessing and hoping for the best.

3. Yourself

Let's take another quick look at the basic flaws in victims discussed earlier:

—Don't let your common sense succumb to greed. If there's that much profit to be made, why doesn't the developer simply hold the land himself? Why is he being such a good guy to you?

—Don't let your common sense succumb to gullibility. Will all the goodies you've been salivating over really come to pass? Once the rosy glow of the salesman's spiel wears off, will you still be as desirous?

—Don't let your common sense succumb to guile. The salesman is there for one purpose—to sell. That's his job, his living. He's not there to give you buddy-buddy advice. He's there to get you to sign up on the spot. That doesn't make him a bad person. As in any profession, the spectrum of personalities ranges from angels to devils. You're there to get solid, hard, reliable facts on the product, not promises, speculations, or guesses. Either you get the facts or you don't. Facts can be checked out; promises can't. Act accordingly. Bear in mind also that unscrupulous developers don't have an exclusive on unscrupulous salesmen. Washington officials point out that there are unfortunately many perfectly legitimate developers who, knowingly or not, have in their employ salesmen who make use of deceptive tactics. If at any time you feel that a salesman is being misleading, employing pressure tactics, or being otherwise overbearing—and after due investigation you're still interested in the land —switch salesmen.

—DON'T SIGN ANY CONTRACTS WITHOUT THE PRIOR COUNSELING OF YOUR ATTORNEY.

—At the very first sign that something is not going the way you think it should, speak out. If schedules aren't being met with regard to delivery of your deed or other documents, construction of facilities, or anything else promised in writing, take legal action right away. If you lag or let yourself be put off, every day that goes by works against you and takes you that much farther from correcting the situation.

—Have your own goals and financial status clearly established on paper. How will the payments on the land affect your budget and debt load in the near- and long-range future? If you buy the land with the intent of building on it, what does your financial picture look like with regard to the expense of building? If you're buying the land as an investment, how does the transaction fit into your overall long term investment objectives? Have you taken all of the risks into account in evaluating the investment? Have you determined how much it might cost you to carry this investment? Have you determined, from a realtor or others, what might be entailed in trying to unload it, if and when that time arrived? After all the carrying and loading charges have been determined, what will your net yield on the investment have been, and will it have been worth it? If the market value of the property should drop, have you determined what problems you'll encounter in trying to unload it?

4. The Law

There are four basic areas of law that exist for your protection. The first three are state or local, and they will differ from area to area across the country. In all cases, your attorney is the proper party to see to it that all aspects of the deal are in compliance with respective laws. If you don't have an attorney, or if you hire one too late, you won't know in time whether or not you've ob-

tained full protection of the law or if you've been deprived of any rights.

A given transaction can easily occur under the jurisdiction of three states or localities: the state in which you reside, the state in which the developer is located, and the state in which the land is located. The transaction should comply with *all* aspects of *all* local laws, to wit:

A. The basic law of the states regarding the *conveyance* of real property. This covers such matters as the content, execution and recording of deeds, and other related documents.

B. The basic law of the states regarding the *licensing* of real estate agents, (salesmen and brokers); and the registration and other requirements of subdivisions.

C. The basic law of the states (or cities as the case may be) with regard to *consumer protection and deceptive business practices.*

The Federal Laws: Uncle Sam vs. Snake Oil Sam

Your first task is to determine whether or not a given developer is operating in in*ter*state commerce, or in*tra*state commerce. The difference is most important. In*ter*state means crossing state bounds with his business. If he is advertising or selling Arizona land to Chicago residents, he's operating on an in*ter*state basis.

An in*tra*state dealer is operating solely within the bounds of a single state; his headquarters are in that state, the land is within that state, and he is prospecting for sales only within the bounds of that state. If you're not sure into which category a dealer falls, check with the Office of Interstate Land Sales in Washington.

If you're dealing with an intrastate developer, you have to rely pretty much on the basic laws of your state

for protection. The Federal Trade Commission, the Truth in Lending Law, and the Fair Credit Reporting Act might afford some degree of protection, but basically Uncle Sam isn't involved in the inner workings of the land promotion itself.

If you're dealing with an interstate developer you have the protection of the Interstate Land Sales Act, which has been in effect since 1969. It's a young law and may not as yet have all the teeth that Congress will ultimately deign to give it. It's very important that you understand what the law can and cannot do for you. If you ignore, or are unaware of, the protections the law can afford you, you can lose your rights under the law.

The Interstate Land Sales Act was designed basically to exert some measure of control on land developers, particularly unscrupulous ones who were marauding across the nation virtually free as birds. The basic requirements of the law are that developers who fall under the stated requirements must *register* their subdivisions with the Office of Interstate Land Sales, and they must make certain *disclosures* to potential buyers.

Registration

Developers who are offering subdivisions of fifty or more unimproved lots for sale or lease through interstate commerce are required to file an extensive registration form which contains detailed information on the property. Failure to comply with the registration requirements can subject the developer to fines and imprisonment upon conviction. The law also permits a purchaser to sue a developer who has failed to comply with the registration requirements.

Be aware, though, that the registration requirement is very limited in the protection it gives you. First of all, the mere fact that a developer has registered does

not, in any way, reflect the quality of the land he is offering. Nor does registration imply that the government has "approved" either the land or the developer's scruples, integrity, or financial responsibility. Compare, for example, the fact that you have been issued a driver's license does not reflect on how much liquor you can or might consume, and how you'll be able to handle it.

Your obligation to determine for yourself the merits of the property and of the developer are not affected by the fact that the developer has registered. Furthermore, many developments are exempt from the registration requirements. Among exemptions set forth in the law are: subdivisions under fifty lots; subdivisions in which all the lots exceed five acres each; subdivisions which are sold strictly within the bounds of one state. Also exempt are the mortgages already existing on parcels. A great many legitimate developments, therefore, do not have to meet the requirements of registration. It's also conceivable for an unscrupulous developer to fit his program within one of the legal exemptions, such as limiting the size of an interstate subdivision to 49 parcels, then when that's all sold out open up another one nearby of 49 parcels. It's possible also, particularly with the hit-and-run tactics employed by many swindlers, to brazenly flout the law and operate illegally on the surface. Granted, he's subjecting himself to fines and imprisonment, but if he's clever enough he can create a tangled web of interlocking corporations, operate through this system, and be well-insulated from legal clutches for a long time.

Between the legal exemptions and the illegal evasions of the registration law, it is obviously incumbent on the prospective purchaser to learn for himself just what he's getting involved in. Perhaps the best hope with regard to this seemingly toothless law is the fact that where a developer has registered, he risks having his registration

suspended if he then breaks the law. This can mean bad publicity and a loss of business, in addition to possible fines and other penalties.

But he might get away with breaking the law on a regular basis, as long as the violations are never reported. If the swindler can convince his victims that the law has not been broken or if he can convince them to delay reporting a violation, he has, in effect, "gotten away with it." As noted before, you should speak up to the proper authorities at the very first suspicion that something might be going wrong.

Disclosure

All developers who are required to meet the registration requirements are also required to make certain disclosures to prospective purchasers. IF A DEVELOPER DOESN'T HAVE TO REGISTER, HE DOESN'T HAVE TO DISCLOSE! The burden is back on you to make your own judgments.

In order to meet the disclosure requirements, the developer must furnish you with a copy of the Property Report. This report contains a number of items distilled from the more lengthy registration report. Among the more important items to be disclosed are these:

- Distance to nearby communities over paved or unpaved roads.
- What kinds of liens are there on the property.
- What kinds of recreational facilities are currently available, and what, if anything, will they cost the buyer.
- What's available in water and sewer services.
- The number of homes currently occupied.
- What utility services are present or proposed.
- The kind of title the buyer will receive.

These disclosures are not in any way a guarantee that work will be done as may be intimated. For example, the Property Report may state that the nearest water and

sewer lines are 40 miles away over rough terrain. If the salesman convinces you that water and sewer lines will be under way as soon as you sign the contract, then the disclosure in the Property Report hasn't done you any good.

If the Property Report states that certain recreational facilities are scheduled for completion within 24 months of the date of the contract, this is not a strict legal requirement for the developer. He can get delays approved due to a variety of circumstances. The Property Report could disclose that as of that date there are no liens on the property. But tomorrow there could be some whoppers.

Finally, the Property Report must contain the following statement, which you are now urged to read aloud:

"THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE OFFERING HEREIN BY THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, NOR HAS THAT OFFICE MADE AN INSPECTION OF THE PROPERTY, NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT, OR ANY PROMOTIONAL OR ADVERTISING MATERIALS USED BY THE SELLER."

"IT IS IN THE INTEREST OF THE BUYER OR LESSEE TO INSPECT THE PROPERTY, AND CAREFULLY READ ALL SALES OR LEASE DOCUMENTS."

The statement means *exactly* what it says: the government has *not* inspected the property. The government has *not* endorsed or recommended this property. The government is *not* passing on the adequacy or accuracy of the report, or on any sales literature. The government is trying to tell you, as loud and clear as it possibly can, that it has taken at least minimal steps to bring the developer into some sort of line, BUT THE BURDEN STILL RESTS ON YOU, THE PROSPECTIVE PURCHASER, TO PROTECT YOURSELF.

If the law can be circumvented so easily, why does it even exist in the first place? Well, consider that before

this law came into existence, there was no law at all. It's the old story of crawling before you can walk.

It's also a question of economics. As is often the case, Congress may pass a law then fail to appropriate adequate funds to allow for proper execution of the law. In the case of the Interstate Land Sales Act, the agency is suffering along with a fairly small staff. They simply cannot inspect each piece of property as it's registered with them. To do so would require an enormous task force, which would be at the expense of the taxpayers. In effect, the mass of American taxpayers would be shelling out to provide a watchdog for the very small number of persons who become involved in land deals.

In spite of the clear-cut wording of the warning, prospects still fall into traps. At a series of public hearings conducted across the country by the Interstate Land Sales Office, many citizens who came in to complain of land deal abuses admitted that they had the impression that the government had sanctioned the deal. Perhaps the salesman convinced them that the wording on the documents meant that Washington had given its blessings. The victims had obviously failed to read the wording; or, if they read it, they misunderstood it; or, if they understood it, they let themselves be convinced otherwise.

Other victims admitted that they had not read the Property Reports before they signed, and many admitted they hadn't seen the land before they signed. Here, in the most distinct fashion, are cases of people deceiving themselves.

Another equally tragic twist is that many prospective purchasers are never aware that they have received the Property Report, even though they may have signed a receipt for it! By maneuvering quickly, a developer can put into your hands a property report which meets the legal requirements of disclosure, yet which contains

devastating evidence as to the true condition of the property. But if you don't know you've received the report, chances are you won't read it. Or if you do read it, you may not be aware of what you're reading. Go back to the story of Stan and Shirley in Las Vegas. They unwittingly signed a receipt for a whole packet of materials, among which was the Property Report. Under the circumstances, they hadn't the foggiest notion of what they were signing for. Yet it allowed the developer to meet the technical requirements of the law.

Here Comes the Kicker

The Property Report is not to be taken lightly. If you do receive it and you do read it, and you make an independent effort to verify the disclosures, you'd have a relatively clear idea of what the property consists of. This is *not* a substitute for visiting the property or for getting your own independent appraisal. It merely will help you to understand the property when you see it.

What if you *don't* receive the Property Report? Now we're getting somewhere. Under the Interstate Land Sales Act, if a developer is required to give you a Property Report and fails to do so, you may at your option cancel the contract and obtain a refund.

Even if you *are* given a copy of the Property Report, you may still have a right to cancel and get a refund: if you receive it less than 48 hours before you sign a contract, you have another 48 hours in which you can cancel.

However, if you make an on-site inspection of the property and sign an acknowledgment to that effect, you can *waive* the right to the cooling-off period during which you could have cancelled the contract. Further proposed legislation may extend that 48 hour period to 72 hours, and make it waiver-proof, which means that you couldn't waive your rights to cancel. But passage is not certain, so you should assume until you learn other-

wise that you are limited to 48 hours and that you can waive your cancellation rights by signing an acknowledgment of an on-site inspection.

The officials who administer the law are aware of its shortcomings, and are trying to bolster its weaknesses and plug its loopholes. Legitimate developers should have nothing to fear if disclosure requirements are tightened. In fact, they should welcome it if it has the effect of weeding out their unscrupulous brethren, whose bad name rubs off on the legitimate businessmen.

In the meantime, *the burden remains with the buyer.*

An official bulletin from the land sales agency offers this food for thought as a summing up:

"The law is designed to afford the prospective buyer a full and fair disclosure of the facts about a subdivision offering. But if the buyer fails to read and understand the Property Report, the consumer protection aspects of the law are virtually negated. The law will light the threshhold, but not unlock the door."

PART FOUR:

THE MYTHS AND ABUSES OF "E-Z" CREDIT

A woman once complained to me of her experience in a supermarket. She asked a young clerk in the produce department to "pick out some nice apples" for her, which the young man proceeded to do. When the woman arrived home and unwrapped her purchase she found, as she put it, that the "apples were all soft."

Deceptive practice or honest mistake? Was the young clerk trying to unload a bag of rotten apples on the unsuspecting woman? Or did he, in fact, think that soft apples were "nice" apples? The woman appeared to be of the timid sort—had she been able to return promptly to the market, no doubt she could have received either her money back or her own choice of "nice" apples. Perhaps she couldn't get back to the market, or perhaps she felt there wasn't enough money involved to warrant another trip. In any case, it was a relatively inexpensive lesson that is easily corrected: either pick out your own apples or change supermarkets.

When you're buying cash and carry products, there's relatively little room for deceptive practices. You can hold the goods in your hand, examine them, compare them with other comparable goods, and know fairly quickly if you're getting a decent buy or not. Yes, there can be some problems with false or misleading labeling, with stores attempting to pass off rejects or seconds as

first-quality goods, and other tricks of the trade employed by unscrupulous merchants. However, these are generally small stakes compared with the whoppers that can occur when credit is involved.

Buying on credit has become more than a way of life in modern times. It's almost a necessity of life. Observers have noted the rapid advent of the so-called "cashless society"—that day in which currency as we now know it will cease to exist. It will be replaced by credit cards, charge accounts, and an intricate electronic network which will instantly debit and credit all of our transactions through enormous linked computers. That's not idle speculation. The day is approaching.

We've become so accustomed to credit transactions that we virtually take them for granted. And yet beneath the surface credit transactions can be tremendously complicated, and they have the potential of being fraught with tremendous abuses.

The abuses may be rare, but when they happen they can strike like a thunderbolt. There are a number of factors present in credit transactions which are gateways to danger. Among them are:

—the fact that you might not see the goods you are actually purchasing until you have already become obligated on a legal contract (examples: a car, furniture, or work to be completed, such as a swimming pool, home improvements, and the like).

—the fact that you will be required to sign a lengthy and detailed contract which can spell out your obligations in a manner unintelligible to the average person.

—the fact that a third party, such as the lender, becomes involved in the relationship between yourself and the merchant.

—perhaps most dangerous among these gateways to danger is the unfortunate lack of understanding that many consumers have with regard to credit, credit re-

porting, financing, and legal contracts. And the most insidious aspect of the problem is that there are buzzards who prey on those who lack the necessary understanding of such transactions.

A Tale of Woe

Following is a tale of woe that is pieced together from a number of actual personal case histories involving credit abuses. The numbers in parentheses pinpoint major areas of abuse, real or potential. A discussion of the numbered specific problems will follow.

Remember this important warning as you read this true-to-life adventure: IT CAN HAPPEN TO YOU.

Charlie and Anita were what you might call a typical young married couple. They were both in their mid-twenties, had no children, and with both of them working they brought home close to $12,000 per year. In the two years they had been married they had been living in a comfortable apartment.

The time had come, Charlie felt, to get out of the apartment and into a modest house. He felt it was foolish to pay rent and have nothing to show for it, whereas in a house they could be building up equity. Charlie did some rough figuring and estimated that if they got a house with a $20,000 mortgage, after about six or seven years they would have around $6,000 or $7,000 in equity. At that time, presumably when they would have children, they could use that equity toward the purchase of a larger and more comfortable house. (1)

After some shopping around, they found a house that suited them and closed the deal. Then they discovered that a great deal of expense for furniture and accessories confronted them. Their shopping list included living room furniture, a dining room set, refrigerator and laundry equipment, some carpeting for the main bedroom, and an assortment of draperies, throw pillows, area

rugs, and so on. Anita was a good seamstress and she agreed to undertake the task of making the draperies in her spare time. The balance of the items had to be purchased.

Neither of them had ever had the occasion to purchase furniture or appliances before, so they took a Saturday afternoon for a scouting expedition of some of the stores in their area. At the end of the expedition, they were more confused than when they started. The fancier stores seemed to have a wider selection and better quality goods, but the price tags looked a bit overwhelming; besides, they felt a little out of place in the "high-rent district." The lower-line stores seemed to have pushier salesmen and a line of products that didn't seem to suit their taste, but the prices seemed more affordable. They picked out one item, a fairly standard sofa, and tried to get some idea as they went from store to store which had the better quality and at what price. They quickly concluded that, as novices, they would have a very difficult time determining the underlying quality of one sofa as compared with another. The salesman in the fancy stores seemed to smile politely when Charlie asked if a given sofa was of good quality. In the lower-line stores, the salesman came on strong to convince them that the sofa was every bit as good as another costing many times more.

Charlie and Anita concluded that furniture was indeed a blind item and they would have to go on good faith in making their decision. They would shop with as much care as possible and ask as many questions as they could, but they finally resigned themselves to the fact that really expert shopping in this area could consume a tremendous amount of time—and time was something they didn't have plenty of. Evening furniture-shopping after a hard day's work was not a pleasant prospect, and they were reluctant to sacrifice too much of their free

time on weekends to haul themselves from store to store. Furthermore, living in a furnitureless house might be adventurous for the first few days, but then it would get to be downright inconvenient. They wanted their furniture and as quickly as they could get it. (2)

Charlie next surveyed his bankbook and came to another realization: in addition to shopping for the furniture itself, he was also going to have to take some time to arrange for his credit needs. He had about $500 available that he could use as down payment for all his furniture, and the balance would have to be financed. As a young man Charlie had had very little experience in obtaining credit. One car loan had been the extent of his borrowing, and that had been arranged through the dealer. He realized that it might be cheaper to obtain a loan at a local bank, but that was going to involve a considerable amount of work time in making applications, then waiting while the bank gathered his limited credit information and made its decision.

A Prayer is Answered

The following Sunday morning, Charlie and Anita awakened to find the modern-day equivalent of the Good Fairy at their front door. It was the Sunday newspaper, and in it was a full page ad of a local furniture store announcing a "fire sale." It was one of the lower-line stores they had previously shopped, but had been turned off by a rather heavy-handed salesman. Nonetheless, as the ad proclaimed, there had been a fire in their warehouse and they were offering the bulk of their inventory —most of which was not damaged at all—at "tremendous savings." Pictured in the ad was a living room suite that exactly matched the style they had been thinking of. Appliances were offered on a "marked down" basis, and there was even a dining room set that would fill the bill. One line at the bottom of the ad particularly ap-

pealed to Charlie. It stated that easy credit was available and could be arranged without need of co-signers. (3)

An hour later, the ad clutched in their hands, Charlie and Anita appeared with eager faces at the furniture store.

The salesman was quick to spot these youthful prospects, and he took them under his wing as if he were a dear long-lost uncle. They first wanted to see the living room suite and the salesman, testing them, said, "My goodness, I hope that hasn't been sold already."

The instant dismay that appeared on Charlie and Anita's faces tipped off the salesman to his tasks ahead. He led them to the rear of the store, where the suite sat unsold. Charlie and Anita breathed a sigh of relief as the salesman started to extol the virtues of the items. "Excellent construction . . . would normally sell for twice the price . . ." and a lot of double-talk about the quality of the fabric and basic construction of the furniture itself.

He capped his spiel with a caution: "Of course, folks, you realize that in order to sell at this low, low price, this unit is not in top condition. There are some stains on the cushions and the water damage during the fire could probably cause some mildewing in the upholstery."

Again the young couple's smiles turned to frowns. Not that they couldn't live with some minor flaws, but they did want first-quality merchandise. As if he were reading their minds, the salesman stepped in and said, "Of course, we have another suite exactly like this one in a different warehouse. It's in top quality, A-one condition, and I can have it delivered to your place tomorrow morning. It does sell for a bit more, though; but if this is exactly what you want the higher price shouldn't make any difference to you." (4)

Holding fast to his common sense, Charlie told the salesman that they wanted to think about it while they

looked around at some of the other items they had come to shop for. The salesman followed them at a discreet distance—far enough so that they didn't think he was looking over their shoulders, yet close enough to hear what they were saying. As they circled around the aisles, the salesman noticed that Charlie kept eyeing a "home entertainment center"—a large console that was full of such things as a television set, a stereo unit, and a small bar unit. At the right moment, the salesman swooped down, put his arm around Charlie and asked him if he "liked" the home entertainment center. Charlie's smile precluded his need to say anything. "If you take that living room suite," the salesman entoned, "maybe I can get the boss to knock off $50 or $100 on the price of that home entertainment center." Now it was just a matter of time until Charlie and Anita started to sign contracts.

One-Stop Shopping

Charlie and Anita indeed found that their visit to this store would solve all their problems. (How unaware they were of the new problems it would start!) They completed their entire shopping list in one visit, and anytime they expressed doubts or reservations the salesman reassured them they had his personal word that if they were unhappy with anything, they should bring it back to the store and he would make an adjustment. (5)

As a further wedge, anytime Charlie expressed a slight doubt about something, the salesman would chip away another $10 from the price of the home entertainment center, which eventually got to be so low that Charlie bought that, too.

To "celebrate," once they had finished their shopping spree, the salesman offered to take them out to dinner and a few drinks while the office clerk made up their contracts. Then, on returning, they could sign the contracts and everything could be underway for delivery

the next day. Everything, that is, except for the dining room suite that they had picked out; the unit on the floor didn't satisfy them, so they special-ordered one which would take, the salesman said, not more than three or four weeks to deliver.

They went to a nearby restaurant and the salesman kept them amused through a few rounds of cocktails and into dinner. Though the salesman didn't let Charlie and Anita out of his sight from the moment they left the store, both Charlie and Anita were reading each other's minds with respect to little doubts that were flitting around—are we really doing the right thing? Should we wait a day or so before we sign the contracts so we can check on other financing? Should we check the store's reputation with the Better Business Bureau before we sign? Etcetera. They were almost afraid to raise these questions for fear that the salesman, who by now had them in a state of mild hypnosis, would convince them otherwise.

On returning to the store after dinner, the contracts were awaiting them. The salesman explained their apparent complexity as follows: they had to sign two separate contracts, one for the home entertainment center, which was provided by a different supplier; and the other for the balance of the merchandise. Furthermore, they were considering that the dining room set would be a cash sale for $300 since, as the salesman said, they couldn't finance merchandise that had yet to be delivered. The remaining $200 of Charlie's $500 down payment was applied to the large contract on the balance of the merchandise. Both of the contracts, it was explained, would include life and disability insurance "in case anything should happen to Charlie." When Charlie expressed doubt about this extra on the contract, the salesman merely shrugged and said, "That's the way it has to go through."

Charlie examined the contracts but was perplexed at their length and complexity. He questioned a few blank spaces in the financial data, but the salesman assured him that they would be filled in according to standard bank rates.

As Charlie picked up the pen the last flutters of doubt whisked through his head. They had spent many hours with the salesman; they had found, they thought, what they were looking for; the financing would be arranged without any problems, and the drinks at dinner had relaxed him. Yet was he doing the right thing? As if he were standing on the brink, one last encouragement from the salesman brought the pen to the paper. They signed the contracts.

As they drove home, Charlie suggested that the next day he would call the Better Business Bureau and his local bank to double check on reputation and rate respectively. If anything was wrong, he thought, he might still catch them before they delivered the furniture. They arrived home, happy to know that this would be the last time they would see their house furnished in "Empty American Style."

The first thing the next morning, Charlie called the Better Business Bureau to find out what they had on file regarding the store. The report stated that there had been a number of customer complaints. Some of them had been adjusted promptly, while others had remained unadjusted. There were also a number of highly complimentary letters from customers in the file. In spite of the general optimism of the report, Charlie called the salesman to inquire about the unadjusted complaints. The salesman assured him that they had arisen from two sources. One was from customers who themselves had contributed to the problem. He referred to one in particular who had received some furniture and had let the kids loose on it, causing it serious damage. This couple,

the salesman went on, had then had the audacity to blame the store for the condition of the furniture. The salesman had noted that this matter was in the hands of the store's lawyers and was confident that the store would prevail.

The other complaints, the salesman said, were the results of a campaign of malice by a competitor of theirs. Another furniture store, jealous of their success, had sent in a number of phony complaints to the Better Business Bureau. The store had attempted to convince the BBB that the complaints and the source from which they emanated were phony. The salesman said the BBB was checking it out. Charlie called the BBB back and the representative told him that what the salesman told him may be possible, but that they had not received any verification and didn't think they would be able to.

Charlie then called his bank and was assured that the rates quoted by the store (though not entered in the contract) were comparable to bank rates. The banker asked if Charlie had already signed the contract and was sure of the rates he'd be paying. Charlie assured him that everything was okay—now a little reluctant to admit that he had signed a contract with blanks not filled in. Nonetheless, his calls reassured him that everything would be all right. (6)

The Rude Awakening Begins

Anita had arranged to take Monday afternoon off so she could be on hand when the delivery truck arrived. Monday afternoon came and went, and no furniture arrived. An angry Charlie called the store and the salesman apologized, saying that the delivery truck had broken down in the middle of the afternoon and the driver had not called in promptly. Had the driver called in, the salesman would have called Charlie immediately. The salesman blamed it on "some of the help you get these

days," and assured Charlie that if the truck was fixed promptly the furniture should be delivered by Tuesday afternoon.

Tuesday morning the salesman called to say that the truck was still on the blink and it would probably be Thursday morning before the delivery could be made—but he assured them most convincingly that that would be the outside date. The salesman said if the truck didn't show up by Thursday morning, he, the salesman, would rent a truck at his own expense and bring the furniture over.

Thursday morning the truck pulled up in front of Charlie's house. The driver knocked on the door, showed Charlie the invoice and told Charlie he had to receive delivery and setup charges of $57 before he could unload the truck. Charlie protested loudly but the driver simply shrugged and said, "I just drive the truck. Call the store if you have any problems."

Charlie called the store in a fury, and the salesman again apologized, indicating that there were large signs posted in the store stating that there were delivery and setup charges, and that he had mentioned such charges to them during the course of their negotiations. Charlie quickly glanced through his contract and saw that there was no mention of such charges. The salesman told him that those charges couldn't be put through on the financing arrangement because they were to pay for current labor costs and had to be paid in cash on the spot. Reluctantly Charlie wrote out a check, and the furniture was brought in and set into place. (7)

By this time Charlie and Anita were anxious to get to work, so they didn't bother to remove the protective vinyl covering that was draped over the living room furniture.

However, they did so on returning home from work that evening, and their reaction was sheer dismay. The

fabric on the living room furniture seemed faded and lusterless and there was a peculiar odor about it. They immediately called the store but the salesman had left for the day and nobody else knew enough about it to help them. Would the salesman be in tomorrow? No, they were told, tomorrow is his day off, but he should be in on Saturday.

On Saturday they were told that the salesman had unexpectedly taken a long weekend off, but for sure would be in on Monday. On Monday they reached the salesman and asked why the furniture seemed to have a faded appearance, and what was the cause of the odor? They suspected, but didn't say, that they had indeed been sold the set they saw on the floor, and that the faded appearance was from a quick harsh dry-cleaning to get rid of the water stains and the odor was incipient mildew. The salesman told them that they certainly did receive the first-class set from the other warehouse, as they had ordered. The faded appearance, he said, was probably due to the fact that the display model on the floor was under bright fluorescent lights, whereas the set at home was under incandescent lights, thus a difference in appearance. The odor, he said, was probably due to the "newness" of the furniture and it would certainly disappear in a day or so. (8)

Charlie bought the explanation for the moment, but a few days later his skepticism surfaced anew. He received in the mail two coupon payment books from two different out-of-town finance companies. One was for the home entertainment center and the other for the balance of the merchandise. On checking the monthly payment figures in the coupon books, Charlie determined that they were considerably higher than what he had anticipated paying based on the contract he had signed. Now Charlie took his task more seriously. He sat down with the contracts and went over them line by line. To his

shock, he determined that the finance companies who had bought his contracts had a second mortgage on his house as a result of the contract. He also determined that he was paying roughly double the interest rate he would have paid had he gone through his own bank. (9)

A Brave Attempt

Charlie stormed down to the store and confronted the salesman with these facts, and demanded to see the boss. The salesman told him that the boss lived out of town and that he, the salesman, was actually the local manager of the store. Charlie asked why the higher interest rate, and the salesman indicated that he had never said anything to the contrary about interest rates. "But you said it would be comparable to bank rates and my bank said this was twice what I'd otherwise have to pay." The salesman gave him some double-talk and pointed out emphatically that even if he was paying a "slightly" higher rate, he was getting the furniture for far less than he'd have to pay at any other place, so he was still saving money. Furthermore, the salesman noted, "If you wanted to get the financing at your own bank, if they would have given it to you, it would have taken hours of running around town to make the arrangements. We've done you a favor, all things considered," the salesmen concluded.

Charlie then broached the subject of the apparently lower-quality living room suite they had received. To placate him, the salesman said he would send out an independent appraiser to determine the nature and quality of the suite. The next day a stranger knocked at the door stating that he was an independent furniture appraiser and he gave his blessings on the living room suite as being triple-A first class.

Still not convinced, Charlie felt he should discuss the matter with an attorney. He called an attorney who was recommended by a co-worker, and was given an appoint-

ment for a week hence. He was told that the initial meeting would cost $15 and the attorney couldn't estimate how much in further costs would be involved until he had heard the whole story.

By the time the week had elapsed, Charlie had cooled down a bit. They had both become accustomed to the odor in the furniture, and the prospect of spending another $15 plus who-knew-how-much extra had started to bother him. Charlie called the lawyer to cancel the appointment, and they sat back to make the most of their purchase.

The Cauldron Bubbles

One of the basic rules of human nature set in: as the weeks went by, their experience with the furniture store began to fade into the background and was replaced by other trials and tribulations of day-to-day routine. Charlie and Anita made their payments, enjoyed their new acquisitions, and awaited the delivery of their now overdue dining room set.

Eight weeks passed and the dining room set still was not delivered. Weekly calls to the store had been answered by various excuses: the original order was delayed at the factory; there was a wildcat strike at the factory that delayed production; the order was completed but the wrong finish was put on it and they had to redo it; the order was shipped but with a wrong bill-of-lading and went to a far-off and incorrect distribution terminal. Choose any of the above. (10)

Ten weeks had elapsed. Charlie got a rather peculiar letter from the finance company that was carrying his IOU on the large order of merchandise. It told him in very friendly and persuasive terms that it was aware of the difficulties young couples sometimes had in getting started with new loans. Therefore, it almost urged, if

Charlie and Anita wanted to pay only interest on the next installment due, they could do so by merely signing certain forms and sending them to the company. Charlie checked his bankbook and agreed that a reduction in that month's payment would help tide him over the heavy debt service he had found himself struggling under. He and Anita signed the papers without further ado and sent them off to the loan company. Shortly thereafter, Charlie received a brand new coupon book from the loan company, setting forth his future payments. (11)

Twelve weeks had elapsed. Something started to go wrong with the home entertainment center. The sound was scratchy, and now and then conked out altogether. For a few days Charlie fiddled around trying to fix it himself, or hoped it would go away. A week later, on the 91st day after delivery, Charlie gave up and called the store to complain about the troubles with his entertainment set. It was, as he understood it, under a one-year guarantee. The store didn't perform any service work and they referred Charlie to a repair shop that handled this off-name brand of electronic equipment. The shop man informed Charlie, with regrets, that the warranty had expired. "But," Charlie protested, "the warranty was for one year."

"No," the shop man replied, "the warranty for the picture tube was for one year. Everything else was just for 90 days. But I'll tell you what. Since you're only one day past warranty, if you bring the unit into the shop, I'll give you the best break I can on labor, and maybe I can get the factory to give you a good break on the parts if any are needed."

Charlie would have loved to take advantage of this offer, although he would sooner wrap the whole unit around the neck of the salesman, but the unit was too large for his car and he'd have had to rent a truck and a

helper to get it to the shop. House calls, he was informed by the shop, are a minimum of $18. Charlie had no choice but to have the repairman come to his house. (12)

After repeated attempts to fix the unit, the repairman threw up his hands and said there were just too many defects in the set. It really should be sent back to the factory for a complete overhaul or replacement.

Charlie was now churning. A letter to the company brought no response. A phone call to the company brought a reply that they were very sorry, but if the unit was off warranty, there was nothing they could really do about it. However, in the interest of good public relations, they would try to keep repair costs "at a minimum."

Charlie saw red—ink, that is. The repairman estimated that it would cost between $50 to $80 to remove the guts of the set, crate it, and ship it back to the factory, where it awaited an unknown repair bill and an unknown amount of time before Charlie could start using his set again.

In anger, Charlie vowed not to make any more payments on his installment loan until his set was properly operating again. He wrote a letter to that effect to the finance company that was carrying the loan on the set. Two weeks later his payment fell due and remained unpaid, and a week thereafter he received a threatening letter from the loan company stating that if the payment was not made by return mail the matter would be turned over to the "State Credit Control Bureau." Two days later Charlie started getting threatening phone calls at home, and his boss informed him that he had received at work a similar call regarding Charlie. His boss advised him that Charlie couldn't simply stop making payments because the contract had been sold to another party, and that he was risking all kinds of grief if he didn't keep up his payments. Within three weeks after the payment was

due, Charlie made the payment and then maintained an up-to-date record from that point on. (13)

The End is Not In Sight

Another month passed, and Charlie finally received the guts of his entertainment center, now in good working order. The whole experience had cost him over $100, and he realized that the "bargain" he got when he bought it turned out to be far from that.

But in all that time, the mystery of the invisible dining room set had not been solved. It had been a couple of weeks since Charlie had contacted the furniture store; he had given up on the kind of excuse they were giving him, and had started to write directly to the factory, with no response as yet. Finally a phone call to the factory elicited information that Charlie, in his darkest dreams, had been suspecting all along—they had no record whatsoever of the order, nor of the full cash payment for the order.

Unable to contain himself any longer, Charlie made a mad dash for the furniture store. He stood in front of it looking in awe at the boarded-up door and soaped-up windows. "Out Of Business" was scratched into the soap on all of the large display windows. Knees shaking, he walked to the front door to read the message that was posted there. "The store," the notice stated, "is now in the hands of a bankruptcy trustee." (14)

The next day Charlie called the bankruptcy trustee to inquire as to the status of his order. The trustee checked the records and found no written evidence of Charlie's dining room set order, nor any record of their receipt of $300 in cash. The trustee told Charlie that if he could bring in a receipt for the cash, when all was said and done many months down the line, Charlie might be able to retrieve a few cents on the dollar. Charlie was certain

that there was a notation made on his basic contract with regard to the $300 paid toward the dining room set. But on checking over the contract, he couldn't find a trace of it. "But I was certain it was written down somewhere," Charlie told the trustee, hoping that he would have compassion. Bankruptcy trustees are not known for their compassionate nature.

Salt in the Wound

A year had elapsed. Charlie and Anita were more concerned with their anticipated new arrival than they were with their horrendous experience with the furniture store. They no longer noticed the mildewed odor coming from their living room furniture, though friends or relatives would point it out from time to time. A shot of air spray usually solved the problem for the moment. Their dining room was still empty—sort of a memorial to the lost $300. Charlie had been maintaining his payments on both loans promptly, but other borrowing needs in the intervening year had put some pressure on his bank account.

Charlie then decided it might be wise to consolidate his loans and get out from under the heavy interest of these out-of-town finance companies. He paid a visit to his local bank and inquired about a consolidation loan. He told the loan officer where he was currently carrying loans, fully expecting that the loan officer would check and find that both loan experiences had been properly handled, with the exception of the brief difficulty on the home entertainment center loan.

A day or so later Charlie visited the bank again to complete the papers on the loan. To his amazement, the loan officer informed him that, due to some questionable aspects of his application, they wouldn't be able to make the loan. Charlie was dumbfounded and asked for an explanation.

The one loan company, with whom there had been a brief moment of difficulty that was swiftly resolved, had reported Charlie as being the closest thing to a deadbeat on their files. The other finance company, which was carrying the larger loan, had given no record whatsoever of Charlie's performance. "There must be some mistake," exclaimed Charlie. He asked the loan officer to double-check the information that he had received. The loan officer reluctantly agreed to look into it further, but he said, "We can't waste too much of our time double-checking information we've already received from a legitimate credit bureau." (15)

The information was repeated—bad news on the one loan, no news on the other. The bank expressed its regrets and suggested that Charlie look elsewhere. Having no place else to turn—fearing the other banks would react similarly to that credit information—Charlie wrote a letter to the company that had been carrying his large loan to ask them about renewal terms.

"We'd be glad to help you," said a letter by return mail. "Just sign on the dotted line." (16)

Charlie was whipped. He submitted. He had become the complete victim of the Wild Wooly World of Credit Abuses, Deceptions, and Machinations.

It *can* happen to you.

What Happened to Charlie?

Charlie's misadventures were indeed what you could call a wide-screen, technicolor, stereophonic horror show—and to boot, they ran out of popcorn. While the odds against all of those things happening to any one single family may be on the long side, there is a good fighting chance that any one or a number of those incidents can happen—and does with some regularity.

The most important thing next to education in steering your course through the rapids of credit transactions is

to keep a sharp eye open for the *warning signals* that might indicate trouble. A deceptive practice might not happen in exactly the manner described in this chapter, but the general earmarks of a troublesome transaction follow noticeable patterns. If you can spot the patterns, you should be able to spot the trouble and cope with it before it gets too late.

Let's now take a look, step by step, at the batch of problems that Charlie found himself immersed in.

1. *The Great Equity Myth.* This is a potential problem that arises not as a result of someone deceiving us but more as a result of our own misconception of how mortgages work. The simple fact is that equity builds at a far *slower* rate than most of us are aware of. For example, on a 30-year mortgage for $20,000, with an annual interest of 7 percent, Charlie would have built up an equity of less than $2,000 at the end of seven years—not the $6,000 or $7,000 that he was anticipating! As a matter of cold discouraging fact, Charlie wouldn't see his equity build to the desired level until the 15th year of the mortgage.

The reason behind this quirk is that interest on a mortgage is based on the current balance at any given time. During the first month of the aforementioned mortgage, the principal balance is the full $20,000, and the interest for that month is figured on that balance. Thus, out of the total first mortgage payment, the great bulk of it goes towards interest and only a small portion towards principal. During the second month, the mortgage principal is reduced slightly, so that the interest portion of the payment is a wee bit smaller and the principal portion a wee bit larger. So it goes throughout the life of the mortgage, until the later years when the bulk of each monthly payment is applied to principal and the remainder towards interest.

It all boils down to this: during the first ten years of a

30-year mortgage, roughly 15 percent of the principal amount is paid off. During the second ten years roughly 30 percent more of the principal is paid off. And during the last ten years almost 55 percent—the remainder—is paid off.

A mortgage is probably the largest and most complex credit transaction that a family will enter into. Each mortgage is a separate legal contract that can contain many different clauses, rights, and obligations. It behooves every family to study the phenomenon carefully before getting involved. In Charlie's specific case, he may not have suffered any actual loss as a result of his misconception on equity—except, had he known the facts beforehand, he might have found it more feasible to remain in his apartment for another few years or to take the time to seek an older home with a seasoned mortgage, wherein his equity would build at a more rapid clip than would be the case in a brand new mortgage.

2. *Problems of Buying "Blind."* Most of our normal day-to-day and week-to-week purchases are made on a cash and carry basis—food, clothing, incidentals. We can squeeze the apples, and if they don't suit us we can put them back and choose others. We can tell if the shirt or pair of slacks is poorly seamed, and we can either buy the irregular or look for a first quality item.

However, the bulk of our larger purchases involve circumstances where we don't know how the product is manufactured or how it will perform until we've lived with it a while—furniture, appliances, automobiles, home repairs, and so on. Furthermore, in most cases we buy these items on credit, so not only do we have to exercise careful shopping and precise judgment in picking the item itself, but we have to be equally careful in the arrangements we make for the financing. Buying "blind" is a far greater problem to some people on some

commodities than it is to other people on some commodities. The car buff might be able to examine a new or used auto with some degree of expertise and make a reliable judgment on its condition and durability. The novice has to act on good faith, trusting in the name of the manufacturer and the reputation of the dealer. (He can, if he is inclined, do some homework to take the rough edges off his inexperience, and thereby minimize the risk of getting a lemon.) Where brand name appliances are concerned, much the same thing holds true with respect to the reputation of the manufacturer and the dealer. Written warranties also offer a measure of protection, but the warranty is of no value to you unless you read it and know its terms. In shopping for such "blind" items, comparing warranties can be every bit as important as comparing the products themselves.

Furniture presents a whole new problem. To the average individual, brand names of furniture are not as meaningful as brand names of appliances and automobiles. Some big-ticket items which we purchase, like cars and appliances, offer us a fair amount of written specifications as to how the product is made and how it will perform. You can determine the capacity of a refrigerator and the relative power of an automobile. You can determine the recovery power of a hot water heater, and you can evaluate fine jewelry if you seek professional appraisals. But you can't take a mattress or a sofa home for a week to try it out, you can't install a swimming pool on "approval" basis. You can't add a new wing to your house and see if it pleases you before you decide to buy it. Furthermore, there are no written specifications to tell you how a piece of furniture is made, and unless you have some expertise in construction, the specifications describing a swimming pool or a room addition can be gibberish to you.

What guidelines, then, do you use to help you shop

for the blind items that we obtain over the years? While we may lack the written details in such items it's important to look again toward the reputation of the dealer and the manufacturer. It may take time to make such determinations, but if Charlie's case is any indication, it could be time well spent. Charlie's particular problem revolved around furniture, but such problems are not limited to furniture by any means. Nor should it be construed that furniture stores dealing in lower-priced lines would behave in the manner that Charlie's store behaved. Indeed, there are many stores dealing in lower-priced lines that offer fine products for the money. The careful shopper will determine the difference quickly.

Furniture was used as an example because it's one area where, according to Federal Trade Commission spokesmen, abuses seem to persist with great regularity. This is especially true with regard to so-called ghetto stores. As was noted, Charlie felt intimidated and patronized in the fancy stores. As a working man he felt he could walk into the lower-line stores and be treated as a man rather than perhaps as an "undesirable." No doubt there are many folks who feel their business is not wanted at the fancy stores, or they can't afford to buy there. They may also feel they do not have the credentials to obtain the kind of credit offered by such fancy stores.

By *not* doing the most thorough shopping job possible at all stores in one's locality, one subjects himself to the abuses that can prevail among unscrupulous "ghetto stores." Perhaps the paramount abuse is that the cost of the *goods* and the cost of the *money* are so intermingled that a clear decision cannot be made. In other words, the store may offer a "come-on" in the form of "E-Z" credit, but the cost of the furniture is boosted to make up the difference. On the other hand, the price of the furniture might seem low but the cost of the credit is high. In the least desirable circumstances, both the cost of the mer-

chandise and the cost of the credit are as high as the traffic will allow. Bear in mind that the cost of money, or credit, is regulated by the government, but the cost of the merchandise is regulated only by what the market will bear. All of which leads us to:

3. *The Myth of "E-Z" Credit.* Charlie was dismayed by the prospect of shopping around for credit and he ultimately fell prey to an offer of "E-Z" credit. Charlie might have avoided his troubles if he had realized the following rule, which is as time-honored and absolute as any rule in the field of getting the most for your money: *There is no such thing as "E-Z" credit.* The term "E-Z" credit implies that the credit is easy to obtain, and the money, once obtained, is easy to pay back. 'Tain't so. If credit is relatively easy to obtain—that is, if the credit grantor has liberal terms and tends to not worry about past problems of the borrower—then the credit is hard to repay. This means that the interest rates will be relatively high and collection procedures, should they occur, will be relatively stringent and tough.

On the other hand, if credit is relatively hard to obtain —that is, the lender scrutinizes one's past history carefully and exercises caution in loaning money, such as is the practice with commercial banks—the credit will be relatively easy to repay, the cost will probably be low as interest costs go, and the collection procedures will probably be at least understanding, if not actually sympathetic, as long as cordial relations are maintained. It can almost be taken as gospel that the stronger the pitch for E-Z credit, the more it will cost the borrower.

Would it have been worth Charlie's time to shop around for credit at his local banking institutions? Yes, particularly for a young married couple just beginning their voyage on the seas of credit transactions. It may be time-consuming at the beginning, but once a track rec-

ord is established with local banks, repeated business and extensions of credit often can be arranged with a phone call and a quick, easy visit.

Charlie was also enticed by the idea that he could obtain his credit without the need of a co-signer—another lure of the "E-Z" credit pitch. Little did he realize at the time that though he may not have needed a co-signer, he was putting up the second mortgage on his house. That got lost in the small print until it was too late. All too often pride standeth in the way of a borrower obtaining sensible credit. Again, it's particularly true with younger couples who are just getting started —that extra little help at the beginning from a co-signer should not be construed as a slur on anyone's integrity or ability to meet his debts. The bank is not loaning its own money. It's loaning money that belongs to its depositors, and it's required by a tough set of state and federal rules to exercise the utmost caution, consistent with sound business, in lending its money. For the most part, finance companies are lending their own money and they might feel more justified in taking the risks. There are a great many excellent consumer finance companies doing business throughout the country which have helped people where banks were unable to. But as in any industry, there are abusers, and the consumer finance industry is no exception. Federal Trade Commission sources reveal that there are known to be finance companies who actually set up unscrupulous businessmen with an eye towards purchasing high interest rate IOUs that they generate.

4. *Bait and Switch Tactics,* and *Fire Sale* tactics. While there are many local ordinances and rules on a local, state, and federal level designed to prohibit such tactics, the tactics are still commonplace. The basic gimmick of bait and switch is to lure a customer with the entice-

ment of a tremendous bargain, and once he is there, in an obvious buying mood, to discourage him from buying the advertised product for one reason or another, and switch him to a higher-priced, higher-profit item. More examples of bait and switch are discussed in Part Five. Special sales, such as fire sales, water damage sales, going out of business sales, and the like, are theoretically regulated by city ordinance. But it's a tough law to patrol; you can't have a fire inspector on the scene for every fire sale, and a "going out of business sale" might only refer to one branch of a multibranch operation, giving the impression that it refers to the whole chain.

What really added insult to injury in Charlie's case was the bait and switch tactic with regard to credit. He was lured by the presumption that his purchase would be financed at "bank rates," which he naturally took to mean through a bank. As he later learned, he was switched to the higher finance company rates. The merchant might have been able to defend such tactics by claiming that certain qualified customers would receive "bank rates," but in Charlie's case they "couldn't swing the deal through the bank." Whether such an explanation is correct or not wouldn't help Charlie—it was another signal that "E-Z" credit gambits were at work.

The best warning you can carry with you in regard to such tactics is that if something looks too good to be true, it probably isn't.

5. *Misleading Verbal Representations.* Emboss the following maxim forever in your brain: "If a promise is not written into the contract, it is meaningless." If there's going to be a dispute over what the salesman did or didn't say, and he's holding your money or your contract, or both, he's got a tremendous upper hand in arriving at a conclusion. If the seller or the credit grantor

will not put certain statements into writing, then bells should start ringing in your head—beware, beware! This goes for any kind of transaction—furniture, land, automobiles, virtually anything. Yes, you might trust him; yes, you might want to take him home for dinner; yes, you might want to lend him money because of his charming smile—but don't make the mistake of failing to get his statements in writing in the contract.

The salesman made it a point not to let his customers get out of sight before the lengthy and involved contracts could be signed. He had obviously made a big sale and didn't want to lose it because the customers went off "to talk about it some more" and ended up going to a competitor to make the purchase. His apparent hospitality in taking them out to dinner and buying them drinks could be construed as an insidious trick—the drinks would blur Charlie's judgment and minimize any last minute hesitations Charlie might have in signing the contracts. Had Charlie raised questions about the financing arrangements, the salesman could have been expected to open up the pressure valves—very likely the store was getting a rebate from the finance company for arranging to have the loan go through them, and perhaps the salesman himself was getting a piece of that rebate. This in itself is not a bad practice, but it can lead to abuses.

One dangerous abuse could arise where the customer already has more debt than he can handle; but the merchant, without the customer's knowledge, will cosign the loan so he can make both the sale and the rebate on the financing. This puts the customer into the position of being far too deeply in debt—a situation that could have easily been avoided had he counseled first with his banker, who might have discouraged him from getting involved. The basic warning signal with regard to the rebate situation is that the merchant might press

too hard to obtain the financing, thus possibly pushing the customer into a higher interest situation, or into a deal with a lender with whom the customer would not be in the best circumstances.

As noted before, the easiest way to avoid this type of problem is to arrange your own financing with a bank or consumer finance company in your community. If you do decide that the convenience of having the dealer do it for you is worth it, you should *still* pay a personal visit to that lender, and acquaint yourself with the appropriate loan officer to establish a personal relationship. The value of a personal relationship with a local banker cannot be overestimated.

6. *A Matter of Credentials.* Charlie was on the right track in checking out the store through the Better Business Bureau, except that he could have better helped his cause had he called them before the transaction rather than after. Organizations such as the local BBB can be helpful to the consumer, but it's important that the limitations of these organizations be clearly understood. Membership in good standing in a local BBB and in the local Chamber of Commerce does not necessarily mean that a firm isn't capable of perpetrating frauds or deceptions. The BBB is basically an organization sponsored by local businesses for the purpose of acting as a clearinghouse for unhealthy business practices. The BBBs, for the most part, are not investigative agencies. They receive complaints, categorize them, and make some effort to obtain an adjustment. This effort will vary from one locale to another.

In Charlie's case the store may have "loaded" the BBB files with favorable reports—presumably forged. Operating, as they are, on limited funds, it's unlikely that the BBB could verify all incoming reports. Thus a loaded file can be accomplished by the unscrupulous business-

man. As for the bad items in their file, Charlie let himself be gulled into thinking there was a conspiracy against the store. This type of activity is possible, and does happen. Whether this was the case in Charlie's situation isn't known, except the facts raise the possibility. Here, too, the BBB might not be capable in terms of manpower of checking out the legitimacy of such complaints.

One means of checking the reputation of a local firm is to try to obtain the names of people who have dealt with them and determine whether or not their dealings had been satisfactory. The firm itself can give you names, but obviously they're not about to give you names of people who have had unhappy dealings. Asking around of friends, relatives, co-workers, might disclose the names of people who have dealt with a given firm. A few phone calls, if there's any doubt, might be a worthwhile investment.

Remember, the problem of checking the reputation is compounded by the fact that an organization might be operating completely above board, yet one salesman on a rare occasion can pull a fast one. When a fast one was pulled, as in Charlie's case, Charlie's reactions are indicative of what can happen when you want to fight back, but little by little you get worn down by the opposition, and all but say to yourself, "They're bigger than I am; how can I fight them?"

7. *Hidden Extras.* There may have been signs posted in the store regarding delivery and setup charges. Charlie may not have felt it worth the time to run down to the store and see for himself before he paid the delivery man to unload the truck. He seemed content to take the store's word for it and part with more money. The store might be able to argue convincingly that such charges need not be included in the contract, particu-

larly if they have otherwise been made known to the purchaser. This point is debatable.

The simple solution to avoid such hidden extras is to insist that everything be included in the contract in one manner or another, and clearly spelled out. If need be, the purchaser himself can write a simple sentence into the contract stating in effect, "The total price listed includes everything; no additional charges, beyond what is listed in this contract, will be due from purchaser to seller."

Misunderstandings regarding extra charges can easily lead to other problems. In shopping for an automobile, for example, one dealer might quote a price—actually write up a contract—which would include the sales tax and cost of licensing. Comparing your quote with another dealer, you might not be aware that a second dealer has not included the cost of sales tax and licensing, which could add $100 or more in a twinkling. In any kind of construction or repair work around your home, written contracts might be subject to changes of mind, or changes required by unforeseen circumstances. Written change orders are the only way to avoid misunderstandings with regard to extras of that nature. (See Part Two, Home Improvements, for more details on this problem.)

Another area where extra charges can crop up is the realm of professional services: medical, legal, dental, accounting. Often we may construe the sudden appearance of extra charges as being a form of trickery. Sometimes they might be, but generally it might be more fair to call such happenings a misunderstanding or a failure to properly understand. As Charlie later learned when he called a lawyer, it's difficult for professionals to know with certainty what kind of problem they're going to run into until they've made their initial examination, be it legal, medical, or otherwise. Unfortunately, this ques-

tion mark regarding costs after the initial consultation can have the effect of scaring us away from obtaining the needed professional services.

Except in rare instances, a professional should be able to give you a range of likely alternatives and the likely cost of each. Sometimes he might be able to do this prior to the initial examination; but it certainly should be worth that first examination to get a fairly clear-cut picture of what lies ahead. Some professional people will volunteer information as to what potential costs may await the client or patient; if they don't volunteer this, it's incumbent upon you to inquire as to what may lie ahead.

Perhaps a simple rule of thumb in any kind of transaction where hidden charges might occur is to ask, "Does the price given me include absolutely everything?" If it does, a simple jotting of the price on a sheet of paper or business card, accompanied by the statement, "This price includes absolutely everything," should preclude any problems. If the price does not include absolutely everything, a simple notation as to what it does not include can help to clear the air.

8. *The Old Switcheroo.* Once again, if you don't squeeze the apple before you drop it in the bag, you don't know what you're getting until you get home. When you're making the purchase as Charlie did, and obliging yourself to make payments before it's delivered, and before you can see it and approve it, you've got problems. Charlie's problem was compounded by an unscrupulous businessman selling him a product different from the one he bargained for. If we assume that Charlie did get the damaged living room furniture, disguised by a dry cleaning job, then we ask what could have been done to avoid the problem in the first place, or to correct it once the discovery had been made?

Charlie let himself be convinced that he got what he bargained for. How could he have proven otherwise? Say he had gone right back to the furniture store and saw what looked like the same items sitting in the same place he had seen them previously. Could he *prove* that they were in fact the same? Would he remember where the stains were if he hadn't noticed them in the first place? If he had visited the warehouse, there might have been ten other identical sets sitting there. Furniture doesn't always have serial numbers (except in instances where a manufacturer might put an identifying mark on an individual piece, and this probably would be in the high price range). You can't put a trail-blazing gouge into the exposed wood to prove what you bought, and a tag that you may attach can easily be removed.

As in many other instances mentioned, your main source of protection here is the reputation of the dealer. If an unscrupulous dealer is planning to pull a switch on you, there's little you can do to prevent him from doing it. It would take a bit of detective work, once you receive the goods, to determine if a switch has been made or not if you do have any suspicions that this might be the case. In Charlie's situation, a brief visit by a local dry cleaner might have revealed that the upholstery had recently gone through a dry cleaning process. Another furniture man, or the dry cleaner, might be able to explain the odor of mildew that Charlie suspected. If Charlie did discover the switch, and stood right up and demanded correction from the dealer, his problems—at least in part—could have been at an end. But even if he discovered the switch, he still has the job of getting it corrected. If the merchant ignores his demands, Charlie would have had to take firm action, such as visiting a lawyer or the police, immediately.

Another kind of transaction in which switching is reported to occur occasionally is in used-car sales.

Example: you shop around and find a beautiful 1969 Whammo-Zammo that appeals to you and, after kicking the tires and looking under the hood (normal car-buyer traits which, when you think of it, are really meaningless), you strike a bargain with the salesman. When you pick up the car the next day after it's been "serviced," you suspect that the tread-bare tires on the car are not the same thick-treaded tires that you kicked yesterday. You question the salesman, but he shrugs and states that those are the exact same tires that were on the car yesterday. They've got your money and your trade-in, and you've signed the contract. What do you do? You can read and follow the suggestions in Part Six of this book, which may result in a quick adjustment to your problem. Or you can shrug like the salesman did and take his word for it. It's up to you. General guidelines for avoiding switches before they happen include having the items described as specifically as possible in your contract. In the case of the automobile, the tires can be described by manufacturer's name, model, and condition ("tread depth—¾ of an inch"). If you're buying anything that has a serial number which would set it apart from all other items of similar description, the serial number should be observed by you on the object and then noted in the contract. (If you don't see the serial number with your own eyes, you have not protected yourself against a possible switch.)

Parts replacement is another area where switching can occur. This will be treated in more detail in Part Five.

One last thought with regard to this general area of bad business practices: the missing salesman ploy was added to the old switcheroo to make Charlie's job of tracing all the more difficult. Was the salesman really out to lunch or away for the weekend? Or was he merely telling the telephone operator to make believe he didn't exist until the crisis blew over? The salesman is betting

that Charlie won't take the time to come down to the store and verify his absence; but if Charlie does so, the salesman can contend with it right there in person. In this case, or in most cases, Charlie might have been best off had he made immediate tracks for the store and forthrightly stated his case and demanded either adjustment or a believable explanation.

9. *The Truth in Lending Law.* Up to this point, Charlie could have done many things to avoid or correct the troubles he'd gotten himself into. But even with all these swords still hanging over his head, the Truth in Lending Law gives him the weapon to correct the entire situation at one fell swoop, in spite of his laxity in correcting problems up to now. Unfortunately, Charlie didn't take advantage of what the Truth in Lending Law offers so his troubles kept mounting. Let's take a lock at just what the law could have done for Charlie, and what it couldn't do.

The basic purpose of the Truth in Lending Law is to inform borrowers and purchasers of the cost of credit in a supposedly clear-cut manner. Theoretically this will allow you to compare the cost of credit from various sources, and allow you to avoid the pitfalls that can arise if you are not properly informed about credit and its costs. Bear in mind that the law does *not* establish minimum or maximum rates that may be charged. This generally is up to the laws in individual states. (It may be that some states have adopted their own local version of the federal Truth in Lending Law, which would generally offer the same protections as the federal law.)

While the Truth in Lending Law does not establish rates that can or cannot be charged, it *does* set forth disclosure requirements which must be followed by any individual or organization that extends credit or ar-

ranges credit for which a finance charge is or may be payable.

The two most important factors which must be disclosed to the customer are the "finance charge" and the "annual percentage rate."

Before we get into some of the important details that you should know about the Truth in Lending Law, bear in mind the following: if one who is required to make the necessary disclosures under the law fails to do so, the customer or borrower can sue for twice the amount of the finance charge, up to a maximum of $1,000 plus court costs and attorneys' fees. If the law is willfully or knowingly disobeyed and the party in the wrong is convicted of such, he could be fined up to $5,000, or be imprisoned for one year, or both. The threat of these penalties should be a very strong "convincer" in getting a merchant to correct a situation.

In Charlie's case, his knowledge and use of these provisions in the Truth in Lending Law could have straightened the matter out without delay.

The law clearly states *what* must be disclosed, and the *manner* in which it must be disclosed. Unfortunately, the actual disclosure is usually more complex than we would like. But complex machinery is involved and everything can't be as simple as we would like. It is up to each individual embarking on a credit transaction to know what the law provides and to take advantage of it. One sure way into deep trouble is to recklessly assume that the government is doing "something" to protect us, and thus neglect to know what the law really can and cannot do. If we take that relaxed attitude, we are susceptible to trickery. The best defense is knowledge and homework.

The Truth in Lending Law requires that the "finance charge" be fully disclosed on the contract. The finance charge is the sum total of all charges payable by the cus-

tomer or the borrower as a part of the overall credit transaction. The finance charge may consist of a number of various charges, such as:

A. The interest (also called time-price differential), or any other amount payable under a discount or add-on, or other system of imposing such charges, for the use of another's money.

B. Any service charge, transaction charge, activity charge, or similar charge.

C. Loan fees, points, finders fees, or similar charges.

D. A fee for appraisal, investigation, or credit report.

E. Charges or premiums for credit life insurance, accident insurance, health insurance, or loss of income insurance; also charges of premiums for insurance against the loss or damage to property, or against liability arising out of use of the property; also premiums or other charges for any other guarantee or insurance that protects the creditor against the customer's default or other credit loss. The regulations of the Truth in Lending Law contain a more detailed explanation of these requirements. IF THE FINANCE CHARGE IS NOT DISCLOSED ACCORDING TO THE LAW, THE LAW HAS BEEN VIOLATED AND THE VIOLATOR IS SUBJECT TO THE PENALTIES OF THE LAW. It's relatively safe to assume that the violator of the law will not turn himself in. If you have something at stake in the matter, it's *you* who must initiate proceedings to protect yourself.

The Truth in Lending Law also requires that the "annual percentage rate" be disclosed. The annual percentage rate is a rather complicated device that was developed as a part of the law to make all credit cost quotations uniform. Previously, lenders and merchants who were granting or arranging credit could quote the so-called cost in a variety of ways, such as simple interest,

add-on interest, discount interest, dollars per month, dollars per year, and so on. It was indeed a difficult task to compare the true actual cost of credit when all of these different forms of quoting were employed. The annual percentage rate presumes to eliminate that problem.

Theoretically, all lenders or grantors of credit are required to make the quotations in certain forms of their advertising, and on the contracts themselves. Unfortunately, it is not uncommon for the credit shopper to still hear interest quoted in the old manner, such as "discount," or dollars per hundred per year. If the credit shopper asks nothing more than how much will it cost to borrow X dollars for Y months, he might well get an answer in terms other than the annual percentage rate. But if the wise credit shopper asks, "What is the annual percentage rate?" he should get a figure that will allow him to compare clearly with other quoted annual percentage rates of other lenders.

While the finance charge referred to earlier refers to the number of *dollars* you must pay, the annual percentage rate puts the relative cost of credit into *percentage* terms.

Broadly speaking, annual percentage rate quotations for standard bank installment loans might range from 9 percent to 13 percent. Annual percentage rates on credit card and charge account balances tend to range from 15 percent to 18 percent. Annual percentage rates on finance company loans might range upwards of 30 percent. IF THE ANNUAL PERCENTAGE RATE IS NOT DISCLOSED ACCORDING TO LAW, THE LAW HAS BEEN VIOLATED AND THE VIOLATOR IS SUBJECT TO THE PENALTIES OF THE LAW. Again, it's relatively safe to assume that the violator of the law will not turn himself in. If you have something at stake in the matter, it's *you* who must initiate proceedings to protect yourself.

Now, even if Charlie completely ignored the above

disclosure provisions of the Truth in Lending Law and made no effort to obtain the protection provided him, he still had one last bomb that he could have dropped, with the help of the law, to get himself out of the jam.

Charlie learned a bit too late that the contract he signed put a second mortgage on his house. This is not an uncommon requirement in certain types of credit transactions where a finance company or other lender wants to obtain all the possible security they can get their hands on. In a great many cases it's totally unnecessary, but the companies are playing by the old rule: "You don't ask—you don't get." In Charlie's case, and many like it, if the borrower hasn't had some exposure to law school, and the patience of a saint in reading through a lengthy contract, he might not be aware at any time that he has given up such rights. If he never reads the contract, he's *certain* not to know that he has mortgaged his house until it's too late to do anything about it.

The possibilities for abuse in cases where a mortgage is placed on a house are enormous. Many an innocent, unsuspecting party has found that his house is under threat of foreclosure because he has missed a payment or two on a loan. In order to correct the gross abuses that can occur, the Truth in Lending Law has a very important provision.

If a customer's residence is given as collateral for the credit, in many instances, the customer has the right to cancel the credit arrangement within three business days. (Generally this does not apply where the credit transaction is for obtaining the first mortgage to finance the purchase of the customer's house.)

The creditor must give the customer a document which clearly sets forth the customer's right to cancel under the required circumstances.

If the type of credit transaction meets the require-

ments of the law and the customer follows the steps set forth in the law, HE CAN CANCEL THE ENTIRE ARRANGEMENT.

In Charlie's case, he may have received the necessary notice and not paid any attention to it. Or he may not have received the required notice and didn't exercise his rights under the law requiring this disclosure. Or he may have received the notice, but because of circumstances and his own delay, failed to act within the required time, thereby waiving his rights under the law.

The simple fact that remains is this: the law is there to protect you, *but you yourself must take the necessary steps to obtain the protection that the law affords.* No one else will do it for you. (For more detailed information on the Truth in Lending Law, see your local banker. If he doesn't have literature available, you can write to the Federal Trade Commission, Washington, D.C. 20580 and ask for their booklet, "What You Ought to Know About Truth in Lending.")

10. *Written Proof of Transactions.* Poor Charlie really goofed on the dining room set. Or you might say he was taken in. Paying 100 percent cash in advance for an item that's to be delivered at some time in the future is, generally speaking, not a wise practice even with reputable merchants. A token deposit, perhaps 10 percent or 15 percent, should be all that's needed to bind the deal. No matter who you're dealing with, why shouldn't you have the use of your money until the property is delivered, rather than let them have it? In some instances, of course, it may be necessary to pay the full amount in cash—but there ought to be some pretty compelling reasons why this is so before you part with your cash. As an alternative, a down payment plus an IOU for the balance payable on delivery would be a far better course.

Charlie should never forget the following warning,

which everyone would do well to bear in mind: ANY TIME YOU GIVE ANYBODY CASH FOR ANYTHING, GET A RECEIPT!!! Charlie may have thought he had gotten a receipt, but apparently he wasn't paying adequate attention. The receipt may not have been good for much more than a few cents on the dollar in the hands of the Bankruptcy Trustee, but something is better than nothing. The receipt should be clear and unmistakable. It should set forth the name of the person who received the money, who paid the money, the date, the amount of money, and what the money is to be used for. If the receipt is for payment in full, it should so state. Once you have the receipt in hand, keep it in a safe place. You never can tell when you might need it. Once the goods are delivered and the transaction is completed, there is no longer any need to keep the receipt. But keep it anyway for a year or two, just to be on the safe side should any questions arise at a later time.

The crusher for Charlie was in his failure to obtain a verification from the factory that the order was received and was processed. Normally one might not think to do this when one is dealing with a merchant whose reputation need not be questioned. But once Charlie had had the other warning signals flashed in front of him, he should have immediately proceeded to obtain verification of the order. As circumstances finally developed it might not have done him any good, but he might have been able to avert the more serious troubles that eventually came up.

Generally speaking, the merchant himself will obtain verification from the factory. If you request a copy of it there should be no problem in having it delivered to you. If the merchant has not obtained a verification from the factory, it means one of two things: either the store has never ordered it, or the factory has never acknowledged the order. In either case, you could be in trouble—wit-

ness Charlie's predicament. A businesslike merchant will generally follow through if he has not received acknowledgment of his order within a routine period of time. If, after the lapse of normal processing time, the factory has not acknowledged the order, that's a certain sign that you had better get moving quickly and find out what the trouble is.

11. *Loan Churning.* What seemed to Charlie to be a very nice gesture on the part of the finance company—offering to accept interest only for that month—was really a very clever move that had the result of costing Charlie money, weakening his insurance protection, and extending the time of his debt. For what the finance company actually did was to renew the loan in its entirety. Here are the catches:

Owing to the manner in which rebates are figured on installment loans (most commonly, the Rule of 78's) the biggest chunk of interest comes out of the earliest months of the loan. Renewing the loan that was originally set up for, say, 36 months, after two months had elapsed, means that the borrower is paying almost 11 percent of his total interest obligation even though only a little more than 5 percent of the time has elapsed. Renewing the loan so early in the game merely added extra interest costs to Charlie's ultimate obligation, and made his ultimate final payment date two months later. The prospect seemed appealing at first, but in the cold light of day it was a costly choice.

The next catch is with regard to insurance. In the first instance, Charlie bought the life and health insurance on the loan without knowing whether or not the lender could require him to have it. In some cases a lender is not permitted to require such insurance on loans, but Charlie had it forced down his throat. That doesn't mean to say the coverage isn't worthwhile. It very definitely

can be worthwile—but the cost of it can vary from lender to lender, and Charlie might have received better protection for less money had he obtained direct bank financing in the first place.

Secondly, and perhaps more importantly, the insurance on Charlie had a 60-day waiting period before it became effective (not all credit insurance policies carry such clauses—some may, and some may not; you have to check on your own). What this means is that for the first 60 days of the loan, Charlie had no insurance protection. By renewing the loan after the passage of the first two months, he extended the time in which he had no coverage by another two months. Since the new loan was starting from scratch, the 60-day period began to run all over again. Charlie was paying good money for his premiums, but was getting no coverage. There have been cases where individuals will continuously renew their installment loans every month or two, paying only interest and never getting the loan paid off—a tremendously expensive undertaking, to say the least, and one of the most insidious forms of credit abuse.

12. *Warranty Problems.* It's the old "squeeze the apple" trick again. In our normal day-to-day purchases, one squeeze of the apple is the extent of our warranty. With most small-ticket goods—like food and clothing—there's a generally implied warranty that the item is fit to use for the purpose for which it was intended. An apple will not do a good job of keeping your feet dry in a rainstorm, and while goulash may be tasty, galoshes aren't a fit meal for anyone. Most merchants will gladly make an adjustment for an object that doesn't meet this very modest implied warranty—the wormy apple, the galoshes that split apart at the first wearing, and so on.

But when we get into the larger transactions, where credit is so often involved, warranty problems on the merchandise can be sure to accompany them.

Over the years, due to reasons of competition and pride, manufacturers striving for quality have generated a unique system of assuring their customers that the products will perform according to certain standards for certain periods. They further assure us that if the products don't perform, they will make adjustments within the boundaries of their guarantee. Thus we have a fourth layer of concern to the careful shopper: in addition to shopping for the basic quality and price of the object he's seeking, and for the best credit deal, he must also shop and compare the warranties on the products.

There are two basic laws regarding warranties that are essential to the knowledge of the careful shopper: 1. A warranty is only as good as the promises it makes. 2. A warranty is only as good as the promisor who's making the promises.

In Charlie's case, he heard the words "one-year warranty," and may have seen them printed on a certificate in large letters. But what lurks behind the headlines? As Charlie found out, the warranty only covered the picture tube on the television set. Everything else was only for 90 days, and if he had looked even closer he may have found that during the 90 days only parts were covered and not labor. To understand a warranty completely, it must be read thoroughly, and you must know exactly what it does promise and what it does not promise.

With respect to the promisor, again we get back to the premise that the reputation of the manufacturer is critical in making a wise decision. Perhaps Charlie was not concerned with who manufactured this entertainment center. If it was a little-known firm, he may have

had reason to doubt its ability to perform. If he had never heard of it, he would probably have no idea as to how long it had been in business, what its general reputation in the business world was, and how long it would be likely to remain in business. This doesn't mean that small, little-known manufacturers can't provide excellent service and products. They certainly can. But if a purchaser has any doubts, he should clarify them before he commits himself to paying for the product. Your local newsstand and library contain various magazines and books which rate a wide variety of consumer products. These can be an excellent source of information on both the product and the manufacturer.

Charlie's resistance on making any more payments on the unit was a natural reaction. But unfortunately Charlie was not aware of one of the prevailing laws of our land. It goes under the peculiar name of the Holder in Due Course Principle. Briefly, this law (which may vary somewhat from state to state) dictates that where a third party buys an IOU that is apparently legitimate on its face, that third party (or holder of the IOU) is immune from any claims that the purchaser may have against the dealer or the manufacturer. This concept will be discussed in greater detail in Part Six, but for the moment it's only important to understand that Charlie's refusal to pay was futile and, as we'll see, it got him into even more trouble.

13. *Deceptive Debt Collection Procedures.* Cash and carry is a nice way to do business. You've got the goods, the merchant has his money, and for all intents and purposes, you are done with each other until the next time. Credit transactions aren't quite as simple. There are payments to make, and when payments are not made the creditor has rights he can exercise against the debtor, as spelled out in the contract or IOU. The earlier warning

bears repeating: there is no such thing as "E-Z" credit. Credit that's relatively easy to obtain can be difficult to repay, particularly when a heavy-handed debt collection procedure is employed. That's what happen to Charlie. He was dealing with a strange out-of-town firm which was getting a big chunk of interest on the loan, and wasn't really too concerned about whether Charlie regarded them as nice guys or not. They wanted their payments when the payments were due.

Unfair or deceptive debt collection practices are improper and, if reported and prosecuted, could bring punishment. The techniques used on Charlie were typical of such practices. Here is a listing of unfair and deceptive debt collection practices, which, if you spot them, should be reported to the Federal Trade Commission, your lawyer, and any local consumer protection agencies:

A. Using collection notices that contain false or misleading representations, such as notices that make the document look like some sort of legal process.

B. Notifying a debtor's employer about a past due account or requesting the employer to help collect the debt, thus bringing undue pressure on the debtor.

C. Harrassing the debtor through profane or obscene language or by placing telephone calls continuously or at strange times.

D. Threatening to damage the debtor's credit status by referring his name to a bonafide credit reporting agency, when no such action was taken or contemplated.

E. Using violence or threats of violence to collect debts.

F. Threatening to seize items which are, by law, exempt from legal collection process.

G. Using fraudulent service of court summons to obtain default judgments without advice.

The best way to avoid debt collection procedures of any kind, good or bad, is to avoid getting into debts you can't handle. The best advice in this respect is to plan your borrowing program wisely, anticipating future needs and future ability to pay, and obtaining the counsel of your local banker at every step along the way. If a debt does become burdensome and you feel you might be slipping behind in your payments, pay a personal visit to the lender and explain your circumstances to him openly and honestly.

You have contractual obligations to meet. If you fail to meet your obligations, and if you have not alerted the lender as to the reasons, he has the right to assume that you're being willfully delinquent. If you anticipate being late and explain it to him in the proper fashion, he can arrange to alter your payment dates or to accept token payment for a month or two (without remaking the loan —note the earlier warning), or possibly might permit you to pay a bit late and not stick you with late charges. It's all a show of good faith, and it's up to you to show it.

Bear in mind, a personal visit is recommended. Letters and phone calls can get lost in the shuffle. A personal visit with the highest-up official you can find is the best way to avoid problems and keep yourself and your credit rating in good standing. Charlie's credit rating suffered because he wasn't able to follow through with a personal contact since the financing company was out of town. All of which is another reason in favor of dealing with local lenders. More on Charlie's credit file problems shortly.

14. *The Fly-by-Nights*—here today, gone tomorrow. Credit problems, complex in themselves, can become even more convoluted where the original party goes out of business, is bought out by another entity, merges, or in some other manner changes its identity. If the trans-

action between the merchant and the customer has been completed, a change of identity or disappearance of the merchant won't have too much effect on the customer. But if anything between them needs to be done—such as, in Charlie's case, a delivery of more furniture—the matter can be most vexing.

"Take the money and run" operators might be a rare breed, but they're tough to spot, and expensive to get caught with. Though there are no statistics on the subject, it might be fair to state that home improvement contractors have the worst reputation in this regard.

How can you spot and avoid them? Determine for yourself: how long has the firm been in business? Does its shop, office, or showroom seem to have been fairly well-established in a given location, or does it appear to be a quickie set-up job? Are the principles involved long-time residents of the community, or have they just recently arrived? If there's a lot of money at stake and the operators have nothing to hide, they shouldn't hesitate to divulge to you some of their other business dealings, such as with banks and suppliers. If they have a good track record with these firms, it may be a good sign.

Perhaps the best way to avoid any financial loss from dealing with such operators would be to withhold an appropriate amount of money for goods or services not yet delivered. If you have arranged your own financing, this should not be difficult to do. If the firm balks at allowing you to withhold money for goods or services not yet delivered, you had better start giving the matter some deep thought. It might be reasonable for them to ask for a partial payment for orders in process—they might have to pay their suppliers a certain amount to get the order underway. But not necessarily. Reliable firms can normally order from suppliers on a delayed payment basis.

Above all, if doubts arise in your head as you proceed

in your relationship with such a firm, explore the doubts. Don't let the firm convince you that the doubts don't exist. There may be valid reasons for you to have doubts, and you should certainly listen objectively. But if the firm is trying to give you a hard sell, that's time to sit up and take notice.

What recourse do you have if the firm disappears into the night? In Charlie's case, he didn't have a valid receipt for the money he had paid, nor did he have any verification of the order from the factory. As discussed earlier, the bankruptcy trustee could offer him nothing. If Charlie had his own lawyer, it might have been possible for him to prevent all or part of the bankruptcy proceeding if there was adequate proof of fraud in their dealings. Yes, it might cost Charlie more money than he had at stake to do this. This is a ploy that Snake Oil Sam's legion are well aware of—a victim will only go so far to track down money that he's already lost. Therefore, if you keep the sucker's loss within a certain range, you can almost insure that it won't be worth his while to come chasing after you, and you might have a free track to get away on.

Another possible way of busting such a scheme, again with a lawyer, would be an attempt to "pierce the corporate veil," as they say in the law books. If a business suddenly terminates after it has been operating as a corporation, it's conceivable that the courts would state that the corporation was really a sham, and the individuals behind it are ultimately responsible for the acts of the corporation. Once again, there's a question of justifying how much money you can spend to chase down such a scheme. To go all the way could be quite a costly proposition, and chances are good that Snake Oil Sam has thrown up enough roadblocks to make his escape route difficult to follow. But it may be worth a try; sometimes the mere threat of legal intervention can cause the per-

petrators to arrange for a cash settlement in order to avoid further prosecution.

Aside from hiring your own lawyer, there might be some aid available from your state or local consumer protection agency. Generally speaking, you've got to protect yourself first, and then these agencies might be able to do a follow-up job. But if you haven't protected yourself, don't be too optimistic about how much they can do for you in unravelling an already tangled web of deception.

15. *The Care and Feeding of Your Credit File.* How unsuspecting poor Charlie was that his short dispute with one finance company could cause him such grief and his long-term satisfactory dealing with the other could cause him such frustration. Credit reporting is essential to any kind of credit transaction and, contrary to what many people believe, it does *not* end when the credit grantor receives a report from the credit bureau.

Charlie's experience with the disputed loan payment is an example of what can happen when a lender wants to exert pressure on the borrower. In this case it was probably a matter of the lender immediately filing a bad report to use as a wedge to get Charlie to keep up his payments. Perhaps their warning to him did not convey that they would take these steps, but Charlie was at their mercy.

Without suspecting that there was such a blot against his credit, he allowed it to remain. Had he known it was there at the outset, he could have taken steps to have the item amended or deleted from his credit history. But how do you know if there is a delinquent report in your file unless you go to the trouble of checking with your local credit bureau every so often, which could be a complete nuisance to both you and them? The simple answer is to avoid credit hassles, and if one does occur,

to make inquiry at that time if it has had any reflection on your credit file. Also, and most importantly, before you apply for credit you should determine if your record is clear, so as to expedite the credit proceedings. This will be explained in more detail shortly.

As for the other loan firm not reporting Charlie's excellent payment history—the Federal Trade Commission reports that this is a gimmick used with some frequency by unscrupulous operators, particularly in ghetto circumstances. The law does not require them to report a credit history, and their philosophy is that by failing to report good payment records, they prevent good payers from obtaining credit elsewhere, and thus maintain a "captive audience" of good-paying customers. This is an insidious abuse which can be most harmful to the unsuspecting, but well-intending, and well-performing public.

Even after learning of this situation, it could well be that you can't correct it because you can't necessarily force the firm to divulge information that is rightfully theirs on a private basis. You can, on your own, make a correction by retaining proof of payment such as receipts or stamped coupon book stubs. The best way to avoid such problems is to avoid dealing with firms which might be suspect of such activities. All of the past examples of choosing firms hold true here as well.

How do you keep your credit rating in good shape? The Fair Credit Reporting Act, which is a federal law, provides certain measures of protection and access to the consumer. You should know what this law provides, since everyone who deals with credit, on either the giving or receiving end, could come up against some of the following particulars.

You should understand at the outset that credit bureaus are not agencies of the government. They are, in

effect, private clearinghouses of information between and among lenders and grantors of credit.

It will be easier to understand and cope with the machinery of credit bureaus if you understand the main problem they must contend with—if a credit bureau gives out information about you to an unauthorized person, or if a credit bureau gives out erroneous information about you to an authorized person, it's possible that you might have legal recourse against them. Obviously they want to avoid such problems so they take careful steps to protect both you and them from such happenings. For example, you don't want a snoopy neighbor to be able to call up the credit bureau and get confidential information on you. Nor do you want erroneous information to somehow slip into your file and then be passed on to other firms, possibly causing you financial inconvenience or loss.

The credit bureau can take steps to prevent information from getting to unauthorized people, but it's more difficult for them to verify the truth of information that comes to them. Therefore, with regard to unauthorized persons, it's only natural that the credit bureaus require you to properly identify yourself before they disclose the information you're seeking. With regard to erroneous information, there are channels that permit you to examine your file and have erroneous information deleted. But the burden is on you to discover such erroneous information and take the steps to have it removed. Let's now explore what these various steps are.

Under the Fair Credit Reporting Act, and as summarized by the Associated Credit Bureaus (a trade association), you can review your credit file by presenting the proper identification to any reporting agency that issues a credit report about you. Once you have properly identified yourself, they are to disclose all the informa-

tion in your credit file, and they also are to inform you about the sources of the information. They are to tell you the names of persons or firms which have received employment reports on you in the past two years, as well as the names of all others who have received credit reports on you in the past six months.

The single best way to accomplish this is to visit the credit bureau in person. A letter might not be capable of authentication, and it's very difficult to identify yourself adequately over the telephone.

You may take your spouse with you to such a meeting and, if you like, you may also have another person with you other than your spouse. For example, you may wish to have your lawyer present. In the case of such an extra person, he would also have to provide satisfactory identification. The credit bureau might also ask you to sign a statement giving permission for it to show your file to another person who's in your presence. This statement is intended to get the bureau "off the hook" in the event that you later claim it has given out information to other parties on which you might want to base a libel suit. That it asks you to sign such a waiver is reasonable. If it didn't obtain such waivers, it could be subjecting itself to lawsuits right and left, and you lose nothing by signing the waiver.

Once you've identified yourself, the contents of your file will be made known to you. In addition to specific information about your credit experience with various lenders or credit grantors, the file might also contain various pertinent personal items such as your employment, any public notice of your name that has appeared in vital statistics or other news reports (such as divorce or lawsuits), or any other information that might be pertinent to your standing as a credit risk.

What if you spot an error in your file? The following

statement by the Associated Credit Bureaus is the most explicit available:

"Your credit bureau wants to know if there are errors in your file and will do everything possible to correct an error or record an explanation of your side of the story if an account is in dispute.

"The credit bureau will reinvestigate any item which you question. If it is found to be inadequate or can no longer be verified, the item will be deleted. If the reinvestigation does not resolve the question, you may file a brief statement of about 100 words reporting your side of the issue. The credit bureau will help you write the statement if you wish.

"Your statement, or a summary of it, will be included in any future reports containing the item in question. If an item is deleted or a statement is added to your file, you may request that the credit bureau inform those who have received employment reports in the past two years, and all others who have received regular credit reports within the last six months."

What will this cost? If you've been denied credit within the last 30 days because of a credit report from the bureau, or an affiliated collection department, the Fair Credit Reporting Act says that you're not to be charged for the interview. The same goes if the bureau notifies previous recipients of your report that information is being deleted from the file, or other explanatory information is being added to your file. Notice the 30-day limit. If you don't act promptly, and the 30 days expires, you can expect to be charged for the interview with the bureau personnel.

It is reasonable for a bureau to charge you a reasonable fee if you want to make a general inquiry and have not recently been denied credit. You should be notified in advance of such charges.

If you have been denied credit, the person denying you the credit is to inform you of his decision and give you the name and address of the credit bureau upon which his denial was based.

It might happen that you're denied credit and a credit bureau has not been involved in passing on the information. For example, a lender might go directly to a credit source rather than through the credit bureau for specific information. If that's the case, and the information results in your being turned down, the credit grantor must inform you that you have the right to request, in writing, within 60 days, the nature of the information on which the credit decision was based. It may not be necessary for the credit grantor to disclose the precise source of the information, but he must disclose sufficient facts for you to be able to challenge or refute the accuracy of the report.

Bear in mind that the credit bureau has an obligation to protect the confidential information on you which it has accumulated. A bad credit report can be like an albatross around your neck for years and years. A good credit report can be of tremendous value to you in expediting the processing of many different transactions. It can save you time and money, and it's worth an effort on your part to make sure periodically that your credit report is accurate and up to date.

In addition to granting credit or reviewing your account, a credit report might also be obtained by someone who's considering you for employment or considering you for insurance, particularly life insurance. Other legitimate business needs which would justify the granting of a credit report to properly identified firms might include a business partnership, an investment, or a lease interest. Anyone who willfully obtains a credit report under false pretenses can be fined up to $5,000 or imprisoned for one year or both.

If you have further questions about your credit rating or the reporting of it, visit your local banker or credit bureau. Further questions might also be answered by the Industry Relations Director, Associated Credit Bureaus, Inc., 6767 S.W. Freeway, Houston, Texas 77036.

16. *The Loan Consolidation Trap.* After all the buffeting that Charlie had been through, a loan consolidation seemed to be the only final course that would alleviate a little of the pressure on him. Indeed, Charlie was natural prey to the enticements of a consolidation loan pitch.

Loan consolidation, where indiscriminately promoted, can be one of the most severe credit abuses of them all. If you are improperly led to believe that a consolidation loan is the ultimate solution to all your debt problems, you could be seriously harmed. Lacking proper, careful, detailed planning, a consolidation loan can create more dangers than it solves. The problem is that you might not realize for a year or two the kind of trap you've gotten yourself into.

Loan consolidation advertising can often lead many of us to believe too easily that we can "wrap up all of our big debts into one little one."

Let's look at a specific example, which you might use in working out your own personal consolidation problems.

Mr. and Mrs. Debtor have the following loans:

A. A car loan—original total debt, including interest, was $3,540. The total interest was $540. It was a 36-month loan, and has 12 months yet to run. Monthly payments are $98.33, and the annual percentage rate is 11.08 percent (equivalent to a 6 percent add-on rate).

B. A home improvement loan—original total debt was $2,480, of which interest was $480. It was a 48-

month loan which now has 18 months to run. Monthly payments are $51.67, and the annual percentage rate is 10.97 percent (equivalent to 6 percent add-on).

C. A personal loan—original total debt was $1,090, of which the total interest was $90. It was an 18-month loan, and still has six months to run. The monthly payments are $60.55, and the annual percentage rate is 11.08 percent (equivalent to 6 percent add-on interest).

Using the Rule of 78's rebate formula, the balance sheet looks like this:

	Monthly Payment	Current Balance	Rebate if paid up now	Payoff Figure
Car loan	$ 98.33	$1,176.96	$ 63.18	$1,116.78
Home Imp. loan	51.67	930.06	69.60	860.46
Personal loan	60.55	363.30	11.07	352.23
Totals	$210.55	$2,473.32	$142.85	$2,330.47

(Example: the car loan had 12 months to run at $98.33 per month for a total of $1,179.96. Since 24 of the 36 months had run, the rebate would be 11.7 percent of the original interest or $63.18. Deducting this from the current balance, we come up with a payoff figure of $1,116.78.)

Thus, the Debtors need roughly $2,330 to pay off all the loans. A new 36-month loan for $2,300, at 11.08 percent annual percentage rate (6 percent add-on) would cost an extra $419 in new interest. Adding that to the needed amount, they would come up with a total new debt of $2,749, with 36 monthly payments of $76.36—far lower than the $210.55 a month they're now paying.

Should they do it? Well, if they wait just six more months, the personal loan will be all paid, reducing their

payments from $210.55 to $150. In 12 months, the car loan will be all paid, reducing their total payments to $51.67 a month. And 18 months from now, the home improvement loan will be paid, reducing the monthly payments to zero.

The consolidation loan will cost them an additional $419 in interest, and will have them on the hook for payments of $76.36 for 36 months more.

For the sake of a little breathing room for the next six months, they're obligating themselves to three more years of payments, and at considerable cost. Obviously, if they can tighten their belts and see it through with their current load, they're going to be in far better shape in the long run than they might be with the consolidation loan.

The worst aspect of consolidation borrowing—one that is almost sure to happen if long-range planning isn't taken into account—is where the family finds itself in a situation, as could happen above, where the need for additional borrowing arises, and the consolidation loan is still hanging over their heads. In other words, long before the consolidation loan has expired, the family might well need another car loan, another personal loan, another home improvement loan, or any other of the wide variety of credit expenses that we get involved in. They take on all those additional loans, on top of the consolidation loan, and pretty soon find themselves needing yet another consolidation loan.

It's a situation called "debt pyramiding," and within the space of five or six years a family can find itself so far behind the eight-ball with giant consolidation loans that it has no way out, short of bankruptcy.

Summing up what happened to Charlie, and what could happen to you: the world of credit transactions can be extremely complex, time-consuming, and money-

wasting. Or, if you're properly prepared, credit can be a simple way to accomplish your ends without undue expense. The potential for abuses are manyfold. You can be abused by unscrupulous merchants and lenders, and you can be abused and misled by yourself. Impulse is your own worst enemy, and common sense your best friend. There is no deal, no product, no service that can't be obtained if you wait a few extra hours or days to do the necessary homework to be sure you're dealing with people you can trust.

All too often, out of embarrassment or clouded common sense, we get involved in things we don't understand, be they simple words, contracts, products, or services. If we swallow our embarrassment and keep our common sense clear, we know to stop and ask the simple questions that can clarify the matter confronting us.

And all too often, where we have become the victim of an abuse in the field of credit transactions, we neglect to report the abuse to the proper authorities who can exercise powers to prevent it from happening again, and possibly correct your own situation. In all states, legitimate lenders come under the jurisdiction of an agency that is usually referred to as a State Banking Department, or some similar title. If an abuse has occurred, it should be reported without relay. Any abuses emanating under federal law, such as through the Truth in Lending Law or the Fair Credit Reporting Act, should be reported to the Federal Trade Commission.

PART FIVE:

STEP RIGHT UP TO SNAKE OIL SAM'S STUPENDOUS SIDESHOW OF ASSORTED SNEAKY SIDEWINDING SCHEMES AND SWINDLES

If all possible variations of the tricks in Snake Oil Sam's portfolio were to be perpetrated one at a time, one right after the other, 24 hours a day and seven days a week, the process very likely would extend for as long as the remaining balance of human history. For every trick, there are as many variations as there are potential victims—and anyone can be a victim. Snake Oil Sam's ancestors were no doubt selling phony oases to the camel traders in the Arabian Desert, and today they're selling rancheros in the deserts of Arizona. The miracle elixirs peddled off the back ends of yesteryear's covered wagons are just a variation on the health club rackets that pop up and down across America today. And the old bait and switch game is no different today than it was when the cavemen were bartering over fish and berries, except that today it's furniture, cars, and sides of beef.

It would be impossible to describe every scheme that's ever been perpetrated. It would be even more impossible to try to warn you about every scheme, yet unborn, that you might be subjected to in the years ahead. But it is possible to pick out a variety of major types of schemes and hope that you can familiarize yourself with the primary signals that each of these tricks give off.

If you're tuned in properly, there are certain unmistakable signs that almost any scheme radiates. This

section contains a few dozen descriptions of more commonplace schemes which don't fit under a larger category as do the home improvement frauds, the land frauds, or the credit frauds.

All of the cases described come from records of actual experiences. In relating the incidents, much of the victims' attitudes has to be assumed, because it's impossible to trace back to the exact thoughts that were in the minds of the victims as they were being lured into the trap. But if brain wave machines could have been attached to all of these "suckers," the following is an approximation of thoughts they were likely registering.

The Victim's Mind at Work

1. *"I trust this person."* Or, "I have no reason to distrust this person." Or, "I don't think I trust this person, but I'm sure I'm smarter than he is, so how far wrong can I go?" In legitimate dealings, the question of trust doesn't always come up, but when Snake Oil Sam is at work, he often will raise the question of trust, and try to fabricate it in your mind so that he can proceed with his next step. If he's not fabricating an actual situation of trust, he's consciously trying to eliminate seeds of distrust that you might have. In some cases he may purposely sow some seeds of distrust, along with the belief that the perpetrator is stupid, for his schemes work beautifully when built upon the premise that there's a little bit of larceny in all of us. And while we risk being taken, we think there's a better chance that we can take the other guy.

2. *"I'm going to get a better deal here than I could get if I went out shopping on my own."* This enticement can range from a simple bargain to the "a-lot-for-a-little" or "something-for-nothing" lures. This frame of mind is critical to Sam's success, for if he has nothing attractive

to offer, the victim may not pay any attention. In some cases it's not that the victim believes he's getting a good deal, but that he's avoiding a bad one. This is particularly true when Sam dons his service station attendant's uniform—a swindle that will be treated later.

3. *"So far everything seems to be going along okay."* Whether the swindle takes a few hours, a few days, or a few weeks (or, in the case of land swindles, upwards of a few years), Sam sees to it that you have no doubts in your mind, and if you do, he quickly allays them. This is also critical to Sam's success, for it gives him the time he needs to complete his swindle and get out of town or out of your grasp, legally or otherwise.

4. *"Something isn't tracking quite right."* When awareness dawns on the victim that he has been taken, his reactions can range from downright astonishment to a continued confidence that Sam has done well by him. But there is that gnawing, nagging doubt which surfaces and tells you something isn't quite right. When we don't respond to that doubt, we're giving Sam more time. If we don't ever respond, his victory is complete.

These are among the basic thought patterns—as the victim registers them—that are prompted by Snake Oil Sam's maraudings.

Read on, then, through the specific antics, as they've happened to others—and don't for one second say to yourself, IT CAN'T HAPPEN TO ME!

Phony Charities

When the House for Abiding Faith in Wayward Sea Gulls and Leprechauns wants to raise a bundle of dough, it has some easy lessons to follow. The success of phony charities is built upon their simple imitation of the methods of legitimate charities. Whether it's solicitation by

telephone, mail, door-to-door hustlers, or collection canisters in business places, we get hit so often with requests for a nickel here and a nickel there, that we don't take the time to spot the real ones from the phonies.

Your doorbell rings and there's a kindly-looking soul holding a canister with a picture of a starving child and the word "salvation" written above it. Phony or not, you often have to put a nickle or dime into the canister to get the kindly soul's foot out of your door. Insult him though you might, you've fallen prey to him on the spot. If you give him an ear at all, within a matter of minutes he can tell you a sob story about a poor starving child and her siblings in some far-off poverty-ridden Asian country that will have you seeking your checkbook.

When he becomes good enough at convincing people on his door-to-door route to get his canister jingling full, he's ready for the next step—to convince business people to put his canister in their bar, bank, on the checkout counter, what have you. There amidst a jumble of other canisters, bulletin boards, and *TV Guide* racks, the picture of the starving child stands out like a sore thumb. Now, instead of soliciting door-to-door, he's an executive. He simply picks up his canisters once a week and replaces them with fresh ones. If the businessman begins to suspect a phony, the sharpie can merely disappear into the woodwork, or pick up his canister with a huff and promise never to darken the store's door again.

Telephone solicitations are another means whereby the phonies can imitate the legitimate charities. It's tough to tell them apart, but unless you make an effort to do so, you might never know where your money is going. The caller might state that he is representing a charitable-sounding local organization, one which you may or may not have ever heard of, and they're selling tickets to a circus or ball game, or advertising space in a magazine. You hate to say no because you really want to

give to the cause, and you realize, particularly if you've ever worked on one of these solicitations, that unsympathetic people can be most discouraging. You might feel like a heel to say no, because if it is the legitimate charity that you think it is, you've done them a disservice and wasted a volunteer worker's time and energy. What do you do? If you make a commitment to them, and you receive the tickets or contract in the mail the next day, you are at least mentally committed to go ahead, still not knowing whether it's real or phony.

There are some precautions you can take with both the door-to-door solicitor and the telephone solicitor. It will not harm the organization if you ask to be excused for the moment, with the promise that you will verify the organization's worthiness through your local United Fund or clergyman. You can politely close the door or hang up the phone on even a legitimate solicitor without offending him if you explain that this is your intention. There's no need to apologize for the fact that you haven't heard of the organization if, in fact, you haven't. Just say that if and when you feel you want to give money, you will send your check forthwith.

As for the canisters, many legitimate charities realize a good income from impulsive pennies, nickels, and dimes; the phonies do, too. If you're inclined to pop in a coin, take an extra moment to study the wording on the canister to be reassured that it's legitimate. If you suspect it isn't, point this out to the proprietor. He may want to check on the authenticity of the canister and act accordingly. If you run into an apparent phony at your front door or over the phone, you should immediately alert the local United Fund and the newspapers in your community, as well as the police.

One other form of phony solicitation occurs via the mails, which also is a very important source of legitimate solicitation for many important charities. With the mails

there's no impulse involved, no foot in your door, and no fast talker on your phone. Often solicitations will be accompanied by what appears to be a free gift. The Federal Trade Commission has ruled that senders of such unsolicited gifts stand to end up holding the bag. You're not under obligation to pay for the gift (unless you plan to use it). Nor are you under obligation to send it back. Act accordingly. If you suspect that a mail solicitation is a phony, call it to the attention of the Postal Service, Mail Fraud Division. This can be done through your postmaster.

The Long-Lost Heir Game

How would you like a clean shot at half a million dollars!? It'll only cost you $15—this week.

This is a slick pitch which appears from time to time in various parts of the country in varying guises. Here's a rather standard presentation; perhaps you can imagine different forms that it might take:

A lady from a small town in Georgia with a very common last name—say, Jones—receives a letter on very fancy legal-looking stationery from a firm in California with a name something like "Long-Lost Heir Research Corporation." In sort of uppity terms, yet clear enough to understand, the letter informs her that "on or about the 15th of May, 1963, one Ellie Mae Jones died in Orange County, California, leaving no known heirs. Her estate at the time of death was valued at a total of $675,429.18. It appears that you might be a legitimate heir to the estate of Ellie Mae Jones. If so, all or a portion of the aforementioned sum might be owing to you from the State of California. If the funds in the estate of Ellie Mae Jones are not claimed by any rightful heirs on or before 90 days from the date hereof, those funds will legally belong to the State of California.

"If you would like us to represent you in obtaining

preliminary probate court papers which might indicate whether or not you are a true heir, we will be happy to do so. Please remit $15 to cover our costs in providing you with these necessary probate documents. Very truly yours. . . ."

Now whose eyes wouldn't open wide on reading a letter like that? Then you say, "Wait a minute. Is this some kind of a gimmick? It must be. I never heard of an Ellie Mae Jones. But then, Papa never told me about all of his family—and I do recall once when I was a kid hearing him say that he thought some old cousins moved west around the turn of the century. Fifteen dollars, hmmm? Maybe they know something I don't know? Maybe it is a gimmick, but what have I got to lose?"

If Mrs. Jones falls for this first step, what could happen next? She could receive another letter from the firm a few weeks later containing actual photostats of documents filed in probate court. It might have cost the firm $1 or so to obtain the photostats, and considering its time, maybe it hasn't made any money yet. But it has Mrs. Jones on the hook, and it's got her solid. The letter accompanying the photostats states that it thinks it's on to something big; if Mrs. Jones wants it to file an actual claim as a lawful heir in the proper court, it'll do so and the fee will be $200. The firm repeats that Mrs. Ellie Mae Jones left an estate of $675,429.18, and that if lawful heirs don't claim it by such and such a date, the money will be lost forever.

If Mrs. Jones takes this bait, the next step could be to state that, "Yes, in our opinion, she is a lawful heir and we have filed a claim on her behalf, but now it becomes necessary to produce the actual proof. This will involve tracing back through old family history records and files in all parts of the country, which will be a very expensive proposition. We expect there might be five other legitimate heirs, which means that you, Mrs. Jones, on an

equal split, stand to inherit in excess of $100,000. We would need $2,000 in search and other fees to proceed. . . ." The firm has nothing to lose except the cost of this additional letter. Mrs. Jones, by this time, might well have her tongue hanging out and may have already started spending the $100,000.

Mrs. Jones may have dropped out of the gimmick early, but when you stop to think of all the Joneses, Smiths, Johnsons, and so on, across the nation, whose names are easily available out of a telephone directory, that makes a lot of ripe pickings for such firms.

The fact is that when a person dies with no known heirs, the court usually will appoint an attorney to make a thorough search to be sure that this is the case. The odds are astronomical against your turning up as a long lost heir of someone, and the money that you're "betting" with one of these lost heir operations deserves a fond farewell when you send it off. You'll never see it again.

Have these firms done anything wrong? Have they broken any laws? Yes and no. They have induced you to part with your money under false pretenses—they've gotten your $15, based on a very flimsy assumption that you may be a long-lost heir. But can this be proven? Maybe not. If these operators are pros, they might have constructed a "family tree document" which could indeed indicate that the Mrs. Jones in Georgia may well have been distantly related to the Mrs. Jones in California. Can you prove that this family tree is fictitious? Not likely. And the police aren't about to spend an awful lot of time in your behalf trying to do so.

Moreover, if you do fall victim to the first stage of this scheme, are you going to admit to anybody that you got suckered in? If not, you're giving the perpetrators the clean slate that they need to continue the game with other people.

The legalistic documents convinced you that they were trustworthy; their encouraging letters convinced you that there was no reason to think anything was going wrong; but eventually there was that feeling in your head that something wasn't tracking right. The signals were caught, but were they caught soon enough?

Bogus Directories

They say there's a very thin line between sanity and insanity. But you rarely hear about the even thinner line that is said to exist between vanity and foolishness.

There are a number of "directories" which, for a not insubstantial fee, will list your name and accomplishments under a variety of categories—outstanding students, outstanding businessmen and civic leaders, outstanding young women, and so on. Are they legal? What's the catch?

If, for the sake of vanity, you're willing to pay $10 or $20 and maybe even more for the sake of seeing your name listed in a book, along with thousands of others who are willing to pay to have their accomplishments proclaimed, have you been taken in?

If *legitimate* honors are being passed out, it's highly unlikely the honoring organization will charge those honored for the privilege of being listed.

A case in point was a very amusing set of documents that arrived at my house not long ago, addressed to my wife. We opened the richly embossed envelope and were greeted by the stirring news that she had been "nominated" to appear in the current edition of *Outstanding Young Women of America.*

Now, I think my wife is an outstanding young woman, if for no other reason than that she has to put up with me. But who were these people who were passing out awards which, on reading the small print, turned out to be a solicitation for a book listing other such women, for a

$15.95 price tag? There was also a deluxe edition with gold-stamped page edges and special ribbon marker, only $3 extra; and, if we were willing to spring $8 more, we could get their distinctive charm of "a treasured remembrance of your award" in real honest-to-goodness "10k gold-filled."

For all the flattery in the world, these folks didn't know beans about my wife, or why she should qualify for the award. On glancing through the literature, I noticed the name of the person who had nominated my outstanding young wife, an old friend—a lady—whom we had not seen for several years, and who was about as up-to-date on my wife's activities as her kindergarten teacher was. I called the old friend and explored.

It turned out that she had been hit for one of these books a few years ago and had fallen for it. Not only did she receive a book, but her parents and in-laws (whose names she unwittingly listed in the biography she had submitted) were also hit with a heavy solicitation to buy the book.

When she realized the whole thing was a put-on, she took a second glance at the letter she had received, which asked her to "nominate" three other people whom she felt might be "suitable" for the award.

By her own admission, she picked my wife's name "for a lark." One of the other names she picked was a young gentleman who, she said, is rather outspoken about his homosexual tendencies. In addition to my wife's receiving the nomination, this outstanding young man was also nominated.

Obviously there is no screening and no honest attempt to determine the outstanding characteristics of the people "nominated." They are trying to sell books on the pretense that an honest award is being given. If the book does $15.95 worth of good to your vanity to have it on the coffee table with a marker sitting on your page, then who's to stop you from buying it?

Upon looking behind the scenes, I learned that the same firm also markets similar directories of outstanding college athletes, young men, teen-agers, secondary school teachers, and elementary school teachers. My sources indicated that the directories "resent inquiries" and say they "get slurred" just because they're "profit-making." Now, just because you make a profit doesn't mean you're a bad person. It's all in how you go about making the profit.

Another form of directory chicanery, a long-time target of the authorities, is the "business directory" solicitation. Any business, large or small, is eligible. One of the officers, or perhaps many of them, will receive what appears to be an invoice for listing in a certain directory of banks, bars, candy stores, what have you. Each one is tailored to a specific type of business. The gimmick is that in many businesses the executives are so busy that anything that comes in looking like a bill might be approved because someone suspected that the item was actually ordered. In a moment of business, an executive might initial the "bill" and pass it on to be paid. Sometimes actual directories are really issued, but they tend to be useless—and the price paid for them can be exorbitant. If the perpetrators can catch enough busy executives off-guard, a quick fortune can be reaped. These directory schemes appear every few years, as if in cycles. They flourish, get caught by the authorities, and are squelched for a few more years. But generally, before they're caught they can rake in enough dough to keep them in good shape until the next cycle rolls around.

Magazine Subscription Rackets

Here's another gimmick that seems to come and go in cycles. In addition to out-and-out swindlers, affiliates of major magazine houses have been caught employing deceptive sales tactics. The racket is probably one of the most widespread in America—rare are those who have

not come across one of the many variations of the scheme.

The basic deception is usually a fast-talking sales pitch that leads you to think you are getting more for your money than you could get any other way. You might be pitched that you are getting so many years of "free subscriptions" to certain magazines, as long as you subscribe at "cut rates" to a number of other magazines. You might end up with more magazines than you know what to do with, and by the time you tally the "low monthly payments" times the number of years to pay them in, you're probably paying a far higher price than you could have purchased them for directly through the magazines themselves.

The pitchmen pull out all stops—direct mail, telephone, door-to-door. One common gimmick is the young salesman who is "in a contest to earn a scholarship to college." If he sells so many subscriptions he gets so many points. You have to admire this plucky, hard-working young person, and you sympathize with his efforts. Before you know it, you may have signed a five-year contract totaling well over $100. If you get caught by one of the more unscrupulous operators, the down payment "good faith" check that you give the caller will never be seen again, at least by you, until it comes back cashed in your monthly statement. The money is gone for good and you never see any magazines. With the less unscrupulous ones—those who are employing the high-pressure tactics—you may well get the magazines, but, as noted above, at the higher price.

The simplest way to avoid getting stung by any of these rackets is to buy your magazine subscriptions on your own. Virtually all popular magazines offer substantial discounts if you buy them for subscriptions of one or more years. Just check their offering at your local newsstand or library, and you can subscribe simply and

swiftly on your own. If you really want to put any of these huckstered offerings to the test, take down all the information before you sign up and compare it with the cost of buying a subscription on your own. Then, before indulging yourself by signing a contract, ask yourself whether or not the magazines will ever be delivered. Once signed, these contracts might not be revocable. They might also involve a large interest expense, since you're financing the purchase over a period of years.

Various states and cities have enacted legislation that would provide a cooling-off period during which the customer can cancel the sale without penalty where certain types of door-to-door transactions have occurred. The Federal Trade Commission has also issued a ruling to that effect. However, these rules and legislations may be subject to further court hearings, which could drag on for months or years.

Until such cooling-off periods become the law of the land—if they ever do—the best rule to observe is to take your own cooling-off period. Snake Oil Sam's great success in direct selling pitches comes from catching the consumer unaware and working hard on our impulsive natures to "grab a good deal." There is no deal so good that it won't be around three days later if you still want it. Get copies of the contracts before you sign them and check around with various sources before you commit yourself. If at the end of three days you still think this is the best deal in the world, then sign at your own risk.

Bait and Switch

As we have seen, this is probably the oldest game of all. The bait, very simply, is an extremely attractive enticement to lure you into the store in a buying frame of mind. The switch occurs when you are in the store, ready, willing, and able to buy. The clever salesman diverts you from the bait item, and switches you to another item that

offers him a higher profit. The switch can happen in a multitude of ways, and even otherwise legitimate merchants often find themselves slipping into this form of deception.

For instance, you're sitting up with insomnia watching the late late show on television, and here comes good old Calvin Crowfoot "out here in automobile land ready to sell you folks some real zing-doozies of some beautiful cars of all makes and models, 1972 used, 1974 brand new and here's a beautiful 1936 . . ." The peach of the evening is a 1971 Cadillac convertible with only 1,600 miles on it, in perfect condition, with brand new radial-ply-biased-steel-double-whitewall-hand-autographed tires, and a built-in Hammond organ in the back seat. And how much would you expect this beautiful car to cost? About $4,900? Maybe at some other place, but not at Calvin Crowfoot's. About $3,500? You're getting closer. Would you believe?—only $1,995!

Right then and there you put on a topcoat over your jammies and rush right down to Calvin Crowfoot's, where the lot is closed for the night—of course. You camp on the doorstep until the first rays of morning and when old Calvin comes in to open up the shop you hand him an envelope full of cash and tell him you want to buy the $1,995 Cadillac convertible you saw on the telly last night.

"Oh, I'm really sorry," says Calvin, "but we sold it during the night. I got a call at my house from an old customer out in the country who just insisted on having that very car, and he sent a courier at 4:00 A.M. with cash. But now that you're here, maybe I can interest you in a 1958 Edsel whose classic beauty has withstood the years better than *The Mona Lisa.* And since you came down so early in the morning, I could make you a special deal. . . ."

Or you see an ad in the paper for a wholesale meat firm offering an entire side of choice beef, cut and trimmed

to your specifications, for only 79 cents a pound, boned. Fantastic deal. You rush to the place and the butcher is happy to show you the particular side of beef they had advertised.

"Of course," he points out, "it's got some funny green spots here and there, but maybe we can cut them out. Anyway, if you boil the meat for 15 or 20 minutes it will kill any contamination that may have gone deeper. Now, if you don't like that particular side, we've got some regular sides over here in the cooler for $1.99 a pound. Let me cut you off a chunk. . . ."

Or, as in the case of Charlie-the-furniture-buyer in Part Four, you can get a runaround on furniture. Or jewelry. Or appliances. Or recording equipment. Or almost anything that you may ever care to buy—if you let the baitor get the best of you.

"So what happens," you may ask, "if I get suckered into one of those bait and switch ads and find that they *really are* selling a given product for far less than the normal price?"

Maybe you found a legitimate loss leader. Maybe you're unwittingly getting taken in on an inferior product. The careful shopper will examine carefully and compare with other prices before making a decision. Bait and switch tactics are generally outlawed by the Federal Trade Commission at many state and local levels. But they still occur. Why does the media permit such advertising to appear? Generally speaking, the media makes a reasonable effort to patrol the content of its advertising, but it is not a policeman. It is dealing with merchants whom it assumes to be honest, just as you do. And most are. If you do run across a case of suspected bait and switch tactics, call it to the attention of the newspaper—go to the head man and lay out the facts. If he's convinced that such tactics occurred, he may well boycott that firm's advertising in the future.

Loss leaders can involve another set of problems. It's

very common and accepted for many businesses to offer products at an extremely low price. This is an enticement to get you into the store, where it is hoped you will buy other merchandise. Supermarkets and discount stores use loss leaders all the time, and there's nothing wrong with this practice if you are getting the goods as represented, not a cheap replacement. Naturally the psychology is on the merchant's side. If he is able to lure you into the store—even though you don't end up buying the loss leader—he has created a potential customer.

Where loss leader advertising is employed, legitimate merchants will note in their advertising any catches in the offering, such as a limited supply and the offer good only at certain stores, or only during certain hours. The Federal Trade Commission says that if a loss leader or other kind of promotional product is offered, the merchant is expected to have a sufficient amount on hand to meet what he reasonably anticipates to be the demand. Most merchants, realizing the value of pleasing their customers, will offer rain checks if they run out of the supply of the loss leader. It might be worth inquiring before you run-don't-walk-to-your-nearest-grocer or discount house, if rain checks will be given should you get there and find the loss leader items sold out. If the stores don't give them, it's not a bad move on their part—they may only have been able to obtain a limited supply of the items. But if they do give them, it's a sign that they recognize the most important aspect of their dealings with the public: to keep you pleased.

Referral Schemes

Referral schemes are the junior misses to the grand dames of the chain distributorship schemes discussed in Part One. The pitch is usually made on a one-on-one basis: one salesman to one housewife. And the product can be vacuum cleaners, encyclopedias, a year's supply

of soapsuds, a food freezer plan—almost anything that the housewife might find it difficult to get a comparable price on, and something which she is not likely to spot in the store on her normal shopping jaunts. The early moments of the scheme are standard—the salesman, with a little chitchat, wins the prospect's confidence and then begins to discuss the product. He may not mention the price on the product, but he will extol its virtues and hint gently from time to time that he's got a real surprise for her when she finds out how much it costs.

"And now for the big news, Mrs. Smith! You can get this absolutely fantabulous combination paint scraper/dehumidifier/compost-maker absolutely free. That's right, absolutely free. All we want you to do is help us out with a little advertising promotion that our company wants to run. We just want you to show this marvelous item—that every homemaker wants—to five of your friends. For each one of them who buys the unit at the ridiculously low price of $295, you get $60 off your price. In other words, if you sell five of these to your friends, you get credits of $300, which means you actually *make* $5. Furthermore, if each of them shows they make, and *you* get an extra $20 override. In other words, if you sell the unit to five friends, you are making $5. If each of those five friends sells a unit to five more friends—that's 25 extra friends altogether—then you will have made an additional $500. And on and on it can go, Mrs. Smith. You could become a millionaire!"

If Mrs. Smith falls for this, and you'd be surprised how many Mrs. Smiths do, she won't have her rude awakening until she goes charging next door to sell her fantabulous combination paint scraper/dehumidifier/ compost-maker to neighbor Madge, and bumps into Madge on the way across the driveway, who is on *her* way to Mrs. Smith's with the same intention in mind—to sell *her* one, too.

Call them what you will, chain letters or referral schemes, they all boil down to the same thing. The smart cookies at the very top of the pyramid can make a few fast bucks and scoot out of town. From there on down, the mathematical odds are absurdly against you. In the above case, for example, if all of Mrs. Smith's five friends tell five of their friends and it goes on down ten levels, that means almost 10 million people will be in on the deal. That's a lot of combination paint scraper/dehumidifier/compost-makers for somebody to be making.

The greatest absurdity of these kind of schemes is that people fall for them time and time again. It's the old get-rich-quick syndrome at work, and nothing can cloud our common sense more rapidly.

Service Station Swindles

There's probably nothing quite as greasy as Snake Oil Sam in a service station uniform.

"Sorry to have to tell you this, lady, but if we don't do something to stop that quadraphonic valve from matriculating, your car could go out of control on the next turn. . . . Hmm, left rear tire is leaking air, better let me get it up on the rack so I can get my teeth (or ice pick or sharpened screw driver) into it. . . . Boy, it's a good thing you stopped here when you did. Another few miles on those shock absorbers and I'd hate to think of what could have happened. . . ."

These are some of the ways that you can be tricked on Route 66, or Route 957, or virtually any other highway in America if you get caught by one of the slickest forms of all swindling. As is the case in every other industry in America, it's a matter of the abundance of honest, honorable, hardworking service station operators having a bunch of bad apples in their midst. They can be independent operators, or they can be hiding behind the colorful sign of name brands.

Anyone is ripe to be a victim. Particularly vulnerable are women travelling alone, the elderly, people in an obvious hurry, and families with small children.

The most common ploy is trying to frighten the victim into thinking that something is so wrong with the car that it could cause serious harm if not fixed. Equally frequent is some act of actually disabling the car. Here are some of the tactics to watch out for:

—"Honking" the tires. Actually, it's puncturing the tires in order to sell a new one, or a new set. It can be done swiftly with an ice pick, a sharp instrument protruding from a boot, and so on.

—The white smoke trick. A tiny splash of chemical erupts into a blooming white cloud. Unbeknownst to you, the operator has sprayed a chemical substance into your hot engine, and the subsequent eruption of smoke can lead you to believe just about anything he may want you to believe.

—Oil games. Short-sticking, or not putting the dip stick all the way down, to make it appear as though you need more oil. Also, substituting a cheaper brand of oil when you're not looking. Or charging you for oil that has never been put in. (When he tips that can upside down and the top is covered by a spout, are you sure that oil is really gurgling into your engine?)

—Razor antics. A swift, unseen slash can sever a fan belt or gash a radiator hose.

—The boiling battery gimmick. Drop a piece of Alka Seltzer into the battery and watch the bubbles pop . . . on the sucker's sweaty brow.

—The shock treatment. Dribble some oil on the ground, and tell the customer that the shock absorbers are leaking. It also works well with brake linings and transmissions. For variety, water on the ground might signal a leaky radiator, and gas on the ground could panic one into thinking the fuel tank was leaking.

—The weeping wiper. "Hey friend, did you realize that your right wiper was bent?" It wasn't, until he bent it while you were in the rest room.

—The crowning insult. If you pay by credit card and Sam sees you throw away the copy of the charge slip, he knows where he might get away with a forgery. If you don't check over every slip and compare it with the original, you might never know the difference.

How does Sam get away with these tricks? Well, chances are you're a long way from home and don't want to waste too much time seeking other opinions. He knows you may never pass this way again, and you might be hundreds of miles away before you realize you've been taken, if you ever do realize it.

But you can beat his game with a little homework and some cool common sense. Here's how. Read up on the basics of how a car operates. Your local library or bookstore can offer an array of materials that can give you the rudiments. Your franchised auto dealer or local service station near home might be able to give you a more personal item-by-item education on all the "stuff" under the hood.

Have your car thoroughly checked over by a reputable operator before you set forth on a long journey. This should be done for your own safety, in any event. While on the road in strange territory, never leave your car unattended at a service station. Even at a roadside restaurant, try, if possible, to keep it in full view.

Don't sit in the car while the attendant services it. Get out and keep an eye on what's going on. The experienced swindler can puncture a tire or slash a fan belt in a wink, even if you're watching him. If the attendant suggests that some major repairs are in order, take the time to double-check at another service station or two. If there's a franchised dealer of your make automobile nearby, you might also seek out his advice.

A local Chamber of Commerce or AAA office should be able to give you the names of stations whose integrity is without question. In recent years there has been more and more attention given by consumer fraud agencies to service station swindlers. But they still thrive, because weeks can go by between an incident and an investigation. If you suspect that someone is trying to pull a fast deal on you, or that he already has, there are a number of things you can do to protect yourself, and possibly keep him from harming others.

Obtaining money under false pretenses, as has been said before, is fraud, translatable to larceny. Contact the police, either city, state, or county—or all three. Contact the local Chamber of Commerce and Better Business Bureau. Get the names and addresses of any witnesses. If any parts have been removed from your car—tires, batteries, valves, whatever—retain them. They may serve as evidence of a fraud.

Contact the nearest consumer protection agency, and be prepared to file a complaint if one is warranted. Contact the home office of the oil company distributor, and inform it of all the facts. The major oil companies regret that an occasional Snake Oil Sam will pop up among their otherwise reputable dealers, and they should be willing to help make all the necessary adjustments.

And why should you do all these things when you're out on the road, a long way from home, it's late, you're tired, the kids are yelling in the back seat, you've got three hours yet to drive before you get to the motel, and there's this big grease monkey glowering at you with a crowbar in one hand and a can of beer spilling in the other hand and all he wants is $47 to fix your quadraphonic valve—and you're going to argue with him? That's *exactly* what Snake Oil Sam is banking on, and that's why you have to be on your toes and keep your cool when you're on the road. A well-serviced car in good

condition, and an educated driver who knows what's what, can easily avoid Snake Oil Sam in this guise.

How far wrong can you go if you do succumb to Snake Oil Sam? Well, you may say, at least I'll have a new quadraphonic valve, or a new set of tires, or whatever it is that he wants to do to me. What harm is there in that? Read on.

Parts Replacement and Repair Frauds

The cartoon in *The Wall Street Journal* shows a scene in an auto repair shop. An affluent, paunchy gentleman has an expression of dismay on his face as he stares at his fancy high-priced automobile, which bears M.D. plates on the front bumper. The mechanic is looking up from the open hood and, with an obvious smirk on his face, says to the doctor, "There's still a lot we don't know about valve lifters."

Nobody has an exclusive on the elusive, hard-to-prove racket that goes under the heading of parts and replacement frauds. Wherever parts may reside—your car's body, your TV set's body, your dishwasher's body, or your own body—there are unscrupulous repairmen who, for a buck, will perform unneeded repairs, or will take out old parts and put in reconditioned old parts, charging you for new parts. As the cartoon suggests, the possibility of unneeded surgery exists, just as the possibility for shenanigans in car repairs exists.

For an in-depth study on the matter, *The Wall Street Journal* sent out a team of reporters with a car that had been rigged to function improperly. To correct the problem, all that was needed was the replacement of a very minor and inexpensive part. The reporters took the car to a number of garages and repair shops for estimates on the work. Their results ranged all over the lot, from one kindly mechanic who was willing to fix it for the price

of the part alone, to exorbitant estimates ranging upwards of $100. Their survey illustrated two important facts of life today: first, that such practices definitely do exist, and a suggestion that they may be more widespread than we suspect; second, that unless we ourselves are mechanics or technicians, we might not know which, if any, tradesman or repairman is giving it to us straight.

Surrounded as we are by mechanical gadgets and gizmos, what are we to do to avoid the switching games and the unnecessary repairs that can be foisted on us by the unscrupulous repairman?

Perhaps the easiest area to find solution in is the medical—there is a lot at stake, and we certainly don't want to take any chances on an erroneous diagnosis. If surgery is recommended, and you believe there is possibly a slight doubt about the diagnosis, it is always wise to seek other opinions. Your own doctor could actually cooperate with you in this regard, since much of medical science is still in an inexact state, and he might want to have his own opinion reinforced or have a contrary opinion put forth so heads might get together to find the best possible solution. Yes, it will take extra time and probably money to get these other opinions—but you're not fooling around with a vacuum cleaner.

However, it's a different story when it comes to hauling your TV set around from shop to shop to find out why the picture is coming in upside down. There's a natural tendency to avoid spending a lot of time and back-breaking labor. It's easier to go to the nearest place that looks able to do a reasonably good job, and say, "Here, fix it." Or, you're reluctant to call half a dozen repairmen to your house to diagnose the clanking sound in your dishwasher. One good reason for this reluctance to get repair estimates is that almost all repairmen have to charge for their time in estimating. If they didn't, they'd soon be

out of business and you'd be faced with having to junk your appliance when it stopped working (a thought you've no doubt often had in any event).

Here are some thoughts that should help you guard against this kind of tomfoolery.

Know your warranty before you buy. How long does it cover parts? How long does it cover labor? Is there anything *you* have to do in the way of servicing to keep the warranty in full force? Is there anything you might do that would void the warranty? Under the warranty, where is needed repair work to be done? At the dealer's? At a local service agency? At the home factory?

With certain small appliances it might be necessary for the dealer to return the item to the factory for servicing, either before or after the expiration of the warranty. It's possible that such repair work can take a considerable amount of time, and you might, in addition to paying for the repairs, have to pay for round-trip postage. Hopefully, since the item is being repaired by the people who built it, you should be getting proper work done in the proper fashion. But you must decide whether the time involved and the cost will be worth it, compared with buying a unit that can be repaired locally.

What about service contracts? Some manufacturers or their dealers offer service contracts which, for a stated sum, protect you against repair costs during a period of usually one year. Are these worth it? Much depends on the dealer or manufacturer who's offering the contract. If its reputation is satisfactory to you, then you ought to be able to proceed with a clear conscience, but with caution nonetheless. What does the service contract specifically provide with regard to parts? Labor? Housecalls? A good service contract is protection against the big breakdowns, but there may not be enough repairs during the life of the contract to cover the minor items you may run into. You can be assured that firms offering such a service

contract allow enough room to cover themselves on the mass of contracts they write. It's like insurance. The firms might lose out on a handful of customers, but they'll make up the difference on the balance. If you tend to be easily unnerved and are concerned about maintaining a fairly balanced budget without too many gross disruptions, service contracts might be the route for you to take. If you feel you can ride with the punches and are willing to take your chances on the manufacturer's integrity, you might feel more comfortable by avoiding the cost of a service contract.

Getting the work done: it goes without saying that the more you know about the object needing repair, the better chance there is you'll get the work done efficiently and at a fair cost. If you happen upon an unscrupulous repairman and flash your ignorance, you're asking for still more trouble.

Before you have the repairman come out, if the work is to be done in your own home, learn what his charges will be. If he charges by the hour, when does the clock start to toll? When he leaves his shop? Or when he arrives at your door? When does it stop? When he arrives back at his shop? Or when he leaves your house? What is his hourly rate, and does that include all personnel? If he quotes you an hourly rate, it could be just for the main repairman, and there might be an assistant or two floating around who get an additional hourly rate. Does he charge extra for the use of certain equipment? Make sure you know just what the situation will be. Without committing yourself, you can call a number of repair firms and determine the differences in the rates. Bear in mind, of course, that the lowest hourly rate doesn't necessarily get the work done quicker or better. A $10 an hour repairman who takes three hours to get the job done is no bargain, compared with a $15 an hour man who can finish the job in one hour. Personal recommendations of

such firms are still better indicators of whom you might want to do business with.

When the repairman arrives, tell him the specific symptoms as clearly as you can. It's unwise to flap about and proclaim how little you know, because even an otherwise honest worker might spot an opportunity to stretch an extra half hour or so into his visit when he knows you're not going to know the difference. If you do know specifically what the problem is, let him know that you know and this will minimize any hanky-panky with his time sheet.

It would be unproductive to sit on his shoulder while he did the work; but you should stay within close range, observing him and asking appropriate questions as he goes along. In this way you can minimize the chance that an unscrupulous repairman will install a rebuilt part instead of a new part. And you can also insure that he will not be charging you for repairs or replacements that he didn't make, or for replacements that weren't necessary. If he claims that a given part is bad, he'll have to take it out and he should be able to show you very quickly and simply what's wrong with it, and what it takes to get it fixed, or if it needs a replacement. The part that is removed should be left with you so you can double-check it with other sources. Also, the container in which the new replacement part comes should be left with you. Most legitimate repairmen will do this as a matter of course. However, if a shyster is going to pawn off used parts on you, he'll have them in new boxes, and you won't be able to tell the difference unless you give them a careful examination—and you probably won't know what to look for anyway. In any event, your presence (though unobtrusive) while the work is being done is just that much more of an obstacle in the way of temptation to play games.

If the work is to be done in the shop, it's common for

repair shops to charge a base estimating fee, and you can expect them to do so unless it's a rather simple diagnosis and the fellow is good-natured. In many cases, the estimating fee might be included in the overall repair fee if you have the work done at that shop. Estimating the necessary repairs on electric and electronic items can be a very time-consuming task. Many circuits have to be checked and double-checked, and this can take a few hours, depending on how complicated the appliances may be.

For your protection, a good shop will state somewhere on its worksheet or receipt that it will not perform work in excess of X dollars without first contacting you. This means simply that once the repairman gets into the guts of the machine, and he finds that the work involved will exceed a stipulated sum (say, $20 or $25), he won't proceed without first contacting you. This gives you the assurance of knowing that your bill will not exceed that amount without your permission. You might feel you want to put in a lower figure than what the shop might have suggested. Fine. If you don't ask, you don't get.

What protection do you have if he calls you and says that the repair work looks like it might run to $50, and he wants your permission to go ahead, or he wants you to tell him not to go ahead. He's got you kind of hung up, hasn't he? Your machine, or what-have-you, is lying in a million pieces on his workbench, and you either take his word for it and go ahead with the repairs, or have him bundle it back together, charge you for work done to date, then haul it off somewhere else hoping that you'll get a better deal.

So what do you do? Here's where good faith, knowledge of the people you're dealing with, and homework will serve you in good stead. If there's to be enough work involved, a trip to the shop might be worthwhile so the repairman can explain to you in more careful detail ex-

actly what he's recommending. If he can't offer a sensible explanation, it might be best to have him pack it up. If he is a legitimate and honorable workman, he should be able to give you an adequate explanation about the work that's needed, and why.

If you don't get an estimate in advance, and if you don't have some protection in writing as to how far he'll go in repair expense without contacting you, you're looking for trouble.

At this point you might be asking yourself, "Why should we in America today have to worry about such kinds of gyp artists? Why, in the first place, can't the things we buy survive without the need for such repairs? And, if repairs are needed, why can't we have full faith in the people who fix them?"

Good questions. The answer to the first—why isn't stuff made so it doesn't need repairs—is basically that anything designed by humans, made by humans, used by humans, is subject at all three steps to human frailty. It's a problem that hasn't been solved yet, and won't be in this book. As to the second question—while you may be safe in assuming the great majority of the people are honorable, you may also safely assume there is a handful who will gouge you for an extra buck whenever they can. I can't change the system—I can only show you how to avoid getting caught by the little traps that exist. Yes, it's a shame, but we have to take it upon ourselves to protect ourselves in the marketplace against that small minority of gougers. That's the name of the game, pure and simple. The alternative, taking it to an extreme, would be to have government controls over everything. But who's to say that the government controls would function properly?

Auto Sales Rackets

Having read the foregoing section on bait and switch tactics, you now know to avoid such folderol when you're

in the market for a car. But what else can happen to you?

The old jalopy is on its last legs so you set forth, carefully and cautiously, to shop around for a new auto. Before you go, you take the precaution of checking with friends about the reputation of various auto dealers. You also visit your newsstand for current magazines which contain ratings, comments, and price ranges of the various models. You've visited your banker to determine what financing arrangements would be feasible. You've asked your banker to give you an indication from the used-car price guide that he has of the likely trade-in value of your old clunker. You've carefully reasoned with your other family members what price range of auto you can afford—how much money you want to have tied up in transportation, and how much money you are willing to have tied up in such frills as mag wheels, vinyl roofs, and other optional extras that serve no functional purpose.

Now you're ready for some test driving and price shopping. But *are* you ready?

You've visited three showrooms, and you have a well-detailed list of what each dealer has offered you—the new-car price, minus the used-car trade-in value, plus taxes, license fees, and other extras that might be included. You've determined from each how their service department works. Do they have loaners available? Can they provide pick-up and drop-off service? You're beginning to zero in on a price range and model. Then you decide to visit one last showroom that you've seen advertising heavily.

A pleasant young chap takes you under his wing and suggests that you test drive the model you've been admiring. While you're driving around, you're very much impressed with the honesty and candor of this nice fellow, and you're particularly entranced when he suggests

that the trade-in value of your old clunker might be $500 more than what the other dealers have quoted you.

"Oh really?" Your ears perk up. He explains to you that this dealer's used-car inventory is dangerously low, and the dealer can't accommodate his used-car buyers as well as he would like to; thus he's offering better deals on trade values to build up the used-car inventory. What's more, the chap confides, he thinks the dealer has been overcharging too many customers, and he, as a bright honest young man, doesn't like to see people get a raw deal. Thus, he tells you, he's going to take it upon himself to see that you lovely folks get the best possible deal available, and the boss won't know the difference.

Back at the showroom, he takes you into his little office and sits down to talk turkey. In the course of your conversation he has gotten a fairly good idea of the price differential you're willing to pay at other dealers. But he doesn't let on that he knows this. You've examined other deals, and right now you feel you can swing a deal with $2,500 to $2,700 in cash, plus your trade-in. Anything more than the $2,700 for equal equipment doesn't interest you, but anything under $2,500 for comparable equipment would sure sound like a good deal.

The young man does some brief figuring, then looks up at you with a smile. "If I could get the boss to agree to a deal that would take $1,800 plus your trade-in, would you sign the contract tonight?"

Eighteen hundred dollars! Why, you were willing to pay up to $2,500 for the same car at a different showroom. Of course you'd be willing to take the deal for $1,800 if the boss will go along with it. The well-trained salesman spots your enthusiasm and proceeds.

"Look," he says, "the boss doesn't like me to come in to him with proposed deals unless it's a fairly sure thing that the customer will take the deal. He doesn't like haggling back and forth. It wastes a lot of his time and

your time, and his time is money. If he knows he's got a firm deal right at the outset, that means he's saving time and he'll give you a better price. Let me do this—let me fill out the contract showing an $1,800 trade difference, and you give me a good faith check for $50. That way, he knows he's got a firm deal if he signs the contract. If he doesn't go for the deal, he doesn't sign the contract, and you're not obligated for anything, because only you have signed it and not he. If he won't go for it, I'll just give you back the contract and your check and you can rip them both up. *What have you got to lose?*"

You've got nothing to lose, or so you think. You're sitting there thinking how you can spend the $700 you've saved, and itching to get behind the wheel of the new car that's just a signature away. You review what the salesman has said. He's right. If the owner doesn't sign the contract, it isn't a valid contract. The worst that can happen is that they turn out to be a bunch of sharpies, and they run out and cash your check. But the banks are closed, and the first thing tomorrow morning you can rush down to your bank and put a stop payment on it. Furthermore, they wouldn't dare do this because they know you'd get the law after them for wrongfully cashing a check they had no right to cash, since the contract wasn't consummated.

"Okay," you say, "fill in the contract and I'll sign it."

He leaves the room with the signed contract and check, and you and your spouse sit and snicker over the tremendous deal you're getting. "I would have taken a deal for upwards of $2,500 right on the spot," you say. "Boy, are we getting a steal." This little bit of larceny that exists in all of us, and which is the touchstone Snake Oil Sam looks for, has appeared.

You sit and wait for ten, perhaps twenty, minutes. You're getting a little impatient because you want that contract to come back signed by the owner, so you can

hop in your new "Super-Zoomer-Special" and be off, before they realize how you've taken them.

Just as you're about out of patience, the young man sticks his head in the door, smiles at you, and says, "I think everything is going to be okay. I'm going to take the car around to the service department and get it ready for you so you can take it home tonight if you want."

Your motor starts racing, and you lean back to wait some more. Another ten minutes passes, and an older man enters the room. He's a very beneficent-looking type, and he tells you he's the assistant boss. Very understandingly, he appreciates how anxious you are to get into that new car, but, he explains, there seems to have been a snag. The pleasant young man that you were so taken by, it seems, has been doing an absolutely lousy job for the dealer. He makes mistakes on his estimates and he's trying to cut the prices lower than the dealer can afford. Very likely, the young man isn't long for this kind of business, though the dealer feels very kindly toward him because of his pleasant attitude and his nice way with people.

As a matter of fact, on your particular deal, it seems as though he erred to the extent of a cool $1,000. He has way overestimated the value of your trade-in and has cut the sticker price on the new car far too much. "We'd love to have you in this car, because I know you want to be in it," the new salesman says, "but we've just got to talk about a $2,800 trade difference, not $1,800." The bubble has burst.

"In the first place," the salesman continues, "we didn't even give your trade car a test run. Let me have the keys to it so our shop can check it out and give you a fair trade-in price on it." Bewildered, you hand over the keys and he disappears with them.

You're confused and dejected. You know you want to get back the contract and check, and though some sus-

picions are beginning to grow in your mind, there's still a glimmer of hope you can correct this foul-up, and still get back the deal you already had your heart set on. You and your spouse debate the matter in the privacy of the closing room, and tentatively agree that if you can strike a deal somewhere between the $1,800 and the $2,500, maybe you'd still go for it since it would be better than any of the other deals you had had. The second salesman reappears momentarily with your contract, which he hands over to you, and you tear it up. "Where's the check?" you ask. He looks a little bewildered, and surmises that it must still be in the boss' office. "Don't worry about it," he says. "I'll get it for you in just a few minutes."

"Now about that deal," he begins. "The boss feels that the $2,800 difference is a fair deal, but after all you've gone through here tonight, maybe he can do better when the report comes back on the trade-in." Now he starts to grind away. "If I could get it for you at $2,500 would you take the deal right now?" This is the same pitch that the young fellow had given you, only $700 higher. But now you've been here almost an hour, and you're starting to wear down.

"Twenty-two hundred and not a penny more," you finally concede. He's winning. You're starting to wonder where your keys went on your old car, and when is this guy going to get off his duff and bring back your $50 check. He grinds away some more. You finally tell him you think you had best go home and talk about the matter before making a decision. You ask him for your check and your keys back. He promises that he'll try to locate them right away and leaves the room. You're getting tense now, but you still feel there's a chance that you might get the deal for $2,200, which is still a $300 savings over the next best deal. You discuss it with your spouse and decide that since you've been here this long you

might as well hang around a little longer and hope the deal can be wrapped up at the $2,200 level.

In comes salesman number three a few minutes later. This guy is high pressure all the way. The hour is getting later and you're getting more and more tired. This guy now is pushing hard to close you at $2,600 which, as he says, "is the best he can possibly do."

Then comes the clincher. As you again demand your check and your keys, he comes back from a quick search to inform you sadly that the office girl has left for the night and the check has been locked up in her cash drawer. "Don't worry, it's perfectly safe there. If we don't close the deal tonight, you can come back and pick it up in the morning."

Furthermore, the used-car appraiser has also left for the night, and thinking that your old car was accepted as a trade-in, he parked it in the lot and locked up the keys in his office. "Don't worry," says the salesman, "we can give you a ride home tonight and pick you up in the morning to get your old car. I assure you, there's absolutely no problem. Now, about this deal. . . ."

The old college try: "Look, folks, I know how late it's getting, and I want to get out of here as badly as you do. Let me ask you this—if I can get this thing signed up right now for $2,500, will you take it and let's all go out for a drink?" Resignation has set in and you agree to the deal; after all, it's still as good as the best deal you had any other place. He leaves one last time and comes back to say he had quite a fight with the boss between $2,500 and $2,600 so "why don't we split the difference and settle for $2,550."

Wearily, you reach for your pen.

Far from being fable, this incident can happen with some degree of frequency at certain types of automobile dealerships. It combines the four most common types of

sales tactics which have brought a poor reputation to a small segment of the automobile industry. In order:

1. *The highball.* A common trick wherein the salesman quotes off the top of his head a much higher trade-in value on your old car than is reasonable to believe true. Indeed, it sounded too good to be true, which causes the first strong tug at our purse strings. The opposite of the highball is the lowball, wherein the salesman looks at the sticker price on the new car, and off the top of his head suggests that "we might be able to work out a deal for, say, $500 under that sticker price." The obvious tactic here is to lead you to believe that you're going to get a better deal than you thought possible, and the purpose is to get you into the showroom where they can start applying the pressure.

2. *The "T.O." or Take-Over operation.* This is a ploy wherein a succession of salesmen ranging from low pressure up to high pressure take turns working on you. The first one is to soften you. Then the job is taken over by a harder-selling operator, and so on until the closer takes over. The process is designed to wear down your resistance gradually. The first salesman's job was accomplished when he got you sitting down in the closing office, not just in a mood to buy, but with a raging desire to buy, albeit at a price that would later turn out to be impossible. The intervening steps leading up to the final signing were all carefully designed and calculated based on the following:

3. *The bugged closing room.* Unless you're a junior Sherlock Holmes, you'd probably not be able to determine whether the room was bugged or not. This is indeed a devious trick, and not generally employed by a legiti-

mate dealer, but you never know what you're up against. By listening in on your conversations, the salesman knows just where your soft spots are and how far they can take you. If they determine that you are really thick-skinned and have strong sales resistance, they can always fall back on the following:

4. *The disappearing check trick,* or the "Keys are locked up for the night." This foul ploy is the last straw. By claiming to have "misplaced" something of value, such as a check or car keys, they are, in effect, nailing you to the wall until your resistance finally breaks. The best way to avoid being trapped in this manner is not to write any checks, and to stand by as they test your trade-in car so you can retain the keys until a deal is either made or not made.

If you spot any of the above tactics in operation, you can be relatively sure that you're in for a high-pressure pitch which might lead you to the signing of a contract you otherwise wouldn't sign. Even though, in the above case, you thought you got away for only $50 more than the next best deal, it isn't necessarily that way at all. Had you gone back to the other dealers for a follow-up haggling, you might have gotten a still better deal. Even if you were offered a seemingly better deal at this T.O. shop, that moment of hesitation and a second round of shopping the next day could have produced a still better deal at another dealer's. Awareness and a willingness to walk away from shady tactics when you spot them are your best weapons when shopping for a car.

Probably a lot of this devious practice would not be necessary were it not for the age-old habit of haggling over automobiles. You never haggle over groceries in a supermarket or over a suit of clothes at a store. But with automobiles it's a foregone conclusion that there will be bargaining back and forth. Who started it? No one

knows. Perhaps it goes back to the days of Abdul the Camel Trader. In any event, it's a fact of life in car buying, and as long as the dealers advertise that they can "give you the best deal," you might as well go out and try to roll with the system, rather than try to fight it.

You can avoid being deluded by others, but it's not always so easy to avoid being deluded by yourself. If you let yourself think that you're taking the dealer over the coals, as in the case above, you're only letting yourself in for your own big kill. The dealer sells hundreds of cars each week or month; you only buy one every few years. He knows a lot more about the tricks of bargaining and striking a deal than you do. He's entitled to fair remuneration for whatever labors he's involved in. That doesn't necessarily give him the right to take advantage of you—all of which leads back to the point reiterated so many times: know whom you're dealing with. There's no substitute for a reputation of integrity.

Widow Schemes

These are among the most insidious of all since they prey on people at their weakest and most vulnerable moments. A typical example follows.

There's a knock at the door of a recently bereaved widow. Standing at the door is a kindly-looking gentleman who first expresses his deepest sympathy to the woman, and then explains in carefully controlled, almost-choking-with-emotion, words that shortly before her dear departed husband passed on, "he had ordered a copy of this beautiful leather-bound, gold-embossed family Bible. He wanted it to be a surprise, which is probably why he didn't tell you about it. He paid $5 down and only the Lord knew then that he wouldn't be here to pay the balance and accept delivery on the Bible. Of course, you understand I'm only a poor man myself, working for a living, and we have your Bible ready for

you now with your name stamped on the front cover. But I have to pick up the $20 remaining on the balance."

If the poor woman has any grasp on herself after this pitch, she may try to search out a copy of the contract or receipt that the salesman may have referred to. Of course, she won't find it. Bewildered, the widow hands over the $20, receives her Bible (which may be worth $1 or $2), and the schemer is on his way to the next victim. And where does he find such victims? In the obituary page of the local newspaper every day of the week. Bibles are but one item used in such pitches. Jewelry is another common item and one that can run into considerable money.

Another common hit-and-run scheme used on widows is the selling of "memorial items" such as copies of the obituary, laminated in plastic. It's an item of questionable value at best, but one which the bereaved tends to be willing to pay many dollars for, for reasons that she can't explain a few weeks or a few months after her bereavement has faded.

Far more important in widow schemes are the big-money gambits perpetrated by unscrupulous "advisers" who try to swoop down on a sizeable estate that a widow may be sitting on and lacking the foggiest idea of what to do with it (See "The Wonderful Wizards of Wall Street" in Part One.)

Widows can be more susceptible to the wiles of Snake Oil Sam than the rest of the general population. In their bereavement there's a tendency to be a bit out of touch with reality, eagerly seeking comfort and, lacking their husband's guidance, often naive to the wicked ways of the world. This makes them sitting ducks for Snake Oil Sam. Any woman recently bereaved might do well to refer absolutely all questions about money matters to the family lawyer, or a relative or friend capable of coping with such problems.

Gradually the bereavement ends and the widow gets back into the mainstream of life. Now she is lonely, perhaps more gullible than ever, and still seeking comfort. These elements lead her into some of the more bizarre traps to which widows seem to be particularly susceptible.

Dancing Lesson Rackets

As with many of Snake Oil Sam's endeavors, dancing lesson rackets seem to ebb and flow in cycles. There will be a rash of reports from various consumer and government agencies on such exploits; then they'll sink below the surface, presumably either keeping their noses clean or keeping their victims quiet, until another rash of squawks comes forth.

When deceptive and misleading practices in dancing lesson activities do come to the public eye, they are often ludicrous in their details. Reports are frequent of elderly widows signing up for 1,000 or 2,000 hours of dancing instruction, and financing contracts which call for the payment of $5,000 and more. For heavens sake, you say, after doing anything for 1,000 hours there's no way in the world you can still be thought of as "taking lessons." By that time, you're a blooming expert at it. Then what are you paying for? Companionship? Ego flattering? A way to avoid loneliness? Only the victims know for sure, and there's a better than even chance they'd rather not talk about it.

Common complaints in dance lesson rackets generally involve the use of high-pressure tactics to induce one into signing a contract for more services and more money than is feasible for the given endeavor. Under certain kinds of pressure circumstances, the victim might not be aware of the length or cost of the contract. On the other hand, some poor souls, despairing of loneliness, might think they've gotten the best deal in the world by being

able to go to a pleasant environment a few nights a week, and dance and have a good time with young, vivacious people who are "their friends." And if you say to such a victim, "Mama, you should have put all that money into mutual funds instead of something crazy like this!" Mama might turn to you and say, "Don't be silly, I've never had so much fun in my life!" Go argue with her on that one.

Dance lesson solicitations often come by telephone. A pleasant voice will announce that if you can answer a simple question, you may "win" so many hours of free dance lessons at such and such a studio. This ploy is deceptive in itself, since no one really "loses" such contests. The free lesson generally is just a device to get your body into the shop, where a pitch can be made for a long-term program.

Dance lessons can be a most enjoyable endeavor, and the subsequent facility for enjoying dancing can be even more enjoyable. If dancing lessons are on your list of things to do, you can simply make a few phone calls to the various studios listed in your area and determine what lesson plans they have available and choose therefrom. You can expect to be pitched for more services once you're in the studio, but there's no reason why you can't get a fairly decent curriculum of basic modern dance steps in a relatively short time. You can probably avoid the dancing-school route if you keep a sharp eye out for dance lesson programs that might be offered by various churches or schools or other community groups in your area. These will probably cost a lot less, and you might enjoy meeting a variety of people.

Perhaps the simplest way of all, though not quite as professional, is to ask a friend who is a good dancer to spend a few hours with you to teach you the basic steps. If, after some trial and error on this basis, you're completely convinced you have two left feet and only a pro

can help you, then you might explore the offerings of the studios more seriously.

Phony Contests

I just heard you saying a few paragraphs back, "Does he think that dance lessons are the only things offered by those crazy contests gimmicks? He's got another think coming!!"

If you or I had a dollar for every time we had one of those contests pitched to us, we could probably enjoy a nice week's vacation in Hawaii. After hearing enough of the contest pitches, one inevitably will conclude that the promoters feel they have a product that they can't sell legitimately, so they try to convince their victims that they're giving them something for nothing, with the hope that they'll part with some money to make up the difference between the "free" and the total cost.

Sewing machines seem to be one of the more commonplace devices sold via the phony contest route, and they typify just about all the others, including land, magazines, dance lessons, and the rest of the gamut.

There are two basic types of pitches: one, in which you have to do something in order to "win;" and two, in which you "may have already won."

"Good evening, Mr. Rosefsky, I'm calling for the American Consumer Service Association (a good name to win your confidence, right?) and your name has been chosen at random to participate in an exciting new contest. If you can answer one question out of any of three categories, you can win a valuable prize. Would you like to give it a try? (I don't really have to answer because she's reading from a script and wouldn't hear me if I answered anyway.) That's fine; now, which of these three categories would you like to choose from? Music, geography, or sports? (Now she has to put down the script for a few minutes to hear my answer. I can really

foul her up if I pretend I hadn't heard her and ask her, for example, what time it is. That forces her to have to go back to the beginning of the script and start all over again. But for the sake of brevity, let's say I choose "music.")

"Music; that's fine. Now listen carefully. Here's your question. A certain song was made famous a few years ago by Tony Bennett. Can you complete the title of this song? 'I Left My Heart in . . . . . ?' "

"Yakima, Washington," I answer with a flash of brilliance. There are a few moments of silence on the other end of the line while she checks her answer sheet.

"No, Mr. Rosefsky, I'm terribly sorry, but that's not the right answer. However, I just checked with my supervisor, and he said that all contestants tonight will have a second chance if they miss the first one. What category would you like to choose now, sports or geography? (What the heck, let's give sports a whirl.)

"Sports, okay. This is a toughie so listen carefully. Willie Mays was an all-star player for a team called the San Francisco Giants. What sport are Willie Mays and the San Francisco Giants known for?"

"How many chances do I get?"

"Only one, so think carefully."

"Pea-canning," I blurt out, mistakenly thinking of the Jolly Green Giants, for whom Willie never played.

"No, I'm awfully sorry. Would you like to try to guess the answer to the first question again? 'I Left My Heart In . . . ?' "

"Shreveport, Louisiana?" I try. Again, silence on the line, followed by one last try from a most benevolent supervisor.

"The last category is geography. Now, please, Mr. Rosefsky, try a little harder, 'cause this is your last chance. Ready now? In what state is the city of San Francisco located? Clue—it's the most populous state in

the Union and it's located on the west coast of the United States."

"Kentucky!" I shoot back with confidence and authority. "San Francisco is located in Kentucky."

"No, I'm awfully sorry. . . ."

"What do you *mean* you're awfully sorry? Are you telling me that San Francisco is *not* located in Kentucky? I have a map right in front of me that shows San Francisco *is* located in Kentucky, and if you're calling me a *liar*, you'd better put your supervisor on the phone because. . . ."

A few moments of silence on the line.

"I have good news for you, Mr. Rosefsky. I have discussed the matter with our supervisor, and he says that if you have a map that shows San Francisco is in Kentucky, then we're not going to argue with you. Congratulations! You've won!"

And what have I won? I've won an absolutely free discount coupon worth $200 towards the purchase of a brand new Spaghettini-Muzzarella touch-and-go automatic zig-zag sewing machine, made in Taiwan. A representative will come to my house the next day with my coupon, to explain how I can pick up my prize.

It goes without saying that everybody is a "winner" in contests such as these. The only problem is that they haven't won anything. The $200 discount coupon for the Spaghettini-Muzzarella sewing machine means that I am given the opportunity to buy a $100 machine for $300 because they've marked it up to $500 and given me credit for $200 with the discount coupon. Other ploys might include giving me the entire machine absolutely free, as long as I buy the case to put it in, which costs more—and is worth more—than the machine itself.

How, in this day and age, you may ask, can people fall for such things? Very easily. Look back through the rather absurd example above, and you'll see those same

old patterns standing out clearly: confidence; "what have I got to lose;" "maybe I'll really get something-for-nothing."

How can you avoid getting entrapped by such promotions? There's one perfectly simple way. If you look at your telephone with the receiver off, you'll notice that there are two little buttons protruding from the base, where the receiver normally rests. When those buttons are depressed to their full length, an electrical charge is terminated, which cancels the connections between you and the caller. It's called a hang-up button. It works. Try it.

The "you-may-have-already-won" type of contest generally arrives via an authorized agent of the United States government—your mailman. In recent years, such contests have come under fire by various federal and state agencies for deceptive practices involved. The deceptive practices include the failure to alert the contestants as to the odds against them; and the failure to award all prizes that are "offered." Companies offering such contests defend this latter complaint on the grounds that the prizes were available but people didn't enter the contest with their winning numbers, therefore the prizes weren't awarded.

Subsequently some of these contest programs straightened themselves around to comply with the government regulations. You still might ask yourself, particularly when you see many major national firms offering their wares by this means, if they can't sell it legitimately, why must they resort to gimmicks such as these?

Generally you have nothing to lose except a measure of privacy if you enter the contest. You can probably assume that if you enter the contest, your name will pop up on a number of other mailing lists that the one firm will sell to others. The aim of the contest promoters, of course, is to induce you to buy their product, or sub-

scribe to their magazine, as the case might be, by implanting the thought in your mind that if you do subscribe or purchase you'll stand a better chance at winning the bonanza jackpot. Aside from buying a product that you might not otherwise want or need, and aside from the fact that you're liable to be attacked from other sides by mailing-list buyers, I suppose the only other thing you have to lose is a little chunk of your common sense mechanism. You may not miss it today, or even next year, but you're exposing yourself to added vulnerability the next time a "something-for-nothing" scheme comes along, and that's the one that might really get to your pocketbook.

Household Hustles

A breed apart from the magazine salesmen and the referral scheme is the plain old household hustle, wherein the salesman's main weapon is simply to camp out in your living room and wear you down by hours of demonstrating and pitching his product. Vacuum cleaners and encyclopedias are the most common items found in the household hustle.

If you've never heard one of the vacuum cleaner pitches, you're missing something. I've heard some that are the closest thing you'll ever find to non-stop-65-miles-an-hour-gilt-edge-gospel-preaching. Not only might this miraculous machine cleanse every nook and cranny of your house but, given half a chance, it might even do the very same for your soul. The pitch is heavy and relentless and the salesman, if he's been well-trained, will stick to you like a jungle leech until he's worn you down to sign a contract.

Frequently, units of this type are priced at many times what normal standard household vacuum cleaners sell for. The demonstration display may look dazzling, but is it worth the extra money? One sad example of weakened

sales resistance came to my attention recently: a woman who returned home tired at the end of a day's work was confronted by one of these salesmen. After many hours of high-pressure pitching, the exhausted victim agreed to sign a form which, the salesman said, was simply to prove that the demonstration had been made, so that the salesman could earn his basic salary. It wasn't until after the salesman had left that the victim realized he had also left the vacuum cleaner sitting in the hallway—by mistake, the victim thought. A few days later when the victim received a coupon payment book from a finance company, she realized all too late that what she had signed was not a demonstration form but an actual sales contract. That's why the salesman had not bothered to come back and pick up the vacuum cleaner, which he had left there on purpose.

The obvious fault here lies with the victim for having signed a document without reading or understanding it. It may have been, though, that the salesman deceptively disguised the document so the customer couldn't fully read it. Nonetheless, the ultimate responsibility resides with you. Never, under any circumstances, sign anything without a complete understanding of what it is you're signing. You might end up owning a $400 vacuum cleaner, or something worse.

The encyclopedia salesman is a close cousin to the vacuum cleaner demonstrator. Both appeal to your innate sense of pride—clean house and bright children—and it's hard to admit to them, or to yourself, that you'd really rather prefer a dirty house and dumb children. Thus they have their foot in the door of both your house and your mind.

An encyclopedia pitch, typical of those which have been squelched from time to time by regulatory authorities, but which keep reappearing, is where the salesman leads you to believe at the outset that you're getting

something for nothing, or a lot for a little if, for example, you agree to display the set of books in your home so neighbors can see what a well-educated and alert family you are. This is a so-called "advertising program," and it's yours "absolutely free" as long as you agree to buy the annual supplement at $10.95 for 20 years, the manufacturer's recommended bookcase to put it in for $39.95, and an assortment of other extras, all of which can add up to a finance contract totaling $400 or $500.

There is no disputing the value of an encyclopedia in a home, particularly where there are school children. However, the quality of encyclopedias can vary tremendously, and it's not necessarily the case that a good one costs a lot more than a second-rate one. When you feel that your school children are at an age when an encyclopedia would be of value, it's highly recommended that you talk with their teachers and your local librarians. These people can help you understand what various encyclopedias contain. They can also help lead you to sources where they can be purchased without having to go through the rigamarole of a three-hour sales session.

Remember, any time a salesman knocks at your door he's fully prepared to push all the way to a closing, and you're totally unprepared. Every question you might ask has been anticipated, and he can overcome every doubt or objection you might raise. He does it for a living, and he's good at it. (See above, under magazine schemes, with regard to cooling-off periods.)

My dear friend and super housewife, Sybil the Intrepid, has devised an ideal way of keeping a salesman's feet from getting lodged in her doorway. Through a narrow crack in the door, she'll ask him what product he's selling. She'll then let on that she's always wanted to buy one of those things, and she'd love to talk to him about it but first, before she lets him in, she'll have to see his "card."

"What card are you referring to, ma'am?" the salesman will ask.

"Your card that proves you're not a member of the Communist Party," Sybil the Intrepid will reply.

"Well, of course I'm not a member of the Communist Party, ma'am," the salesman will stammer.

"Well," Sybil will continue sniping, "if you're not a member of the Communist Party, then you should have a card to prove it."

"But, I've never heard of such a card," the salesman says in growing confusion.

"You haven't *heard* of such a card? I can't believe it," Sybil rejoins.

"No ma'am, I'm sorry. Here's my American Express card, my library card, my social security card—won't any of these do?"

"No, I'm sorry," Sybil says. "I'd really like to see your demonstration, but you'll have to show me your card first. You go get one, and come back as soon as you have it; then if I have time we can sit down and talk about your product."

The door closes slowly on a soft smile.

You see, it can be not only easy but fun to keep yourself away from the clutches of Snake Oil Sam.

"Get-Paid-While-You-Think" Schemes

Among Snake Oil Sam's happiest hunting grounds is the type of scheme wherein he has a bare minimum of his own time and money invested, and wherein the victim coughs up just enough money to make it worth Sam's while, but not so much money that the victim is going to go running for help. Such schemes are carefully calculated by Sam to produce maximum dollar results, as well as maximum operating time before the authorities start breathing heavily down his neck. The reason for the maximum money is that the victims think they them-

selves are going to hit a bonanza, and the reason for the extra time is that the victims don't realize for many months that they have been had.

The envelope in your mail promises big money to you if you simply help out this firm with their consumer research survey, or similar type endeavor. They want your opinion on certain products and if you pay the nominal membership fee of, say $10, they will start sending you products for evaluation. Not only do you get to keep the product, but they pay you for your opinion. Just think—in no time at all you could be raking in piles of dough just for using the regular household products they send you free, and taking a few moments to jot down what you think of them. How far wrong can you go?

You can go the whole $10 wrong, plus a lot of aggravation later on when you try to get a refund and wonder what's happened to the bonanza you've already planned on spending.

One such firm was operating for years at a Long Island address. They were blanketing the nation with these solicitations, which probably cost them less than a quarter to mail. But they were getting in $10 membership fees by the pound. Yes, they promised a complete refund on the spot if you weren't happy with the program. But requests for refunds went repeatedly unanswered, until the authorities finally clamped down and the firm suddenly disappeared into the night—supposedly bankrupt, but there's no tracing the individuals and how much money they had stashed away.

For those who actually did get into the program, the sample products were few and far between and the "pay" for the opinions was not money, but "discount coupons" which could be used to purchase products out of the firm's catalogue. In essence, the firm was not seeking consumer opinions, but rather they were taking a roundabout way of selling various products.

Snake Oil Sam can set himself up in a business like this with a few hundred dollars worth of printing and postage stamps, and a post office box large enough to handle the inflow of mail. Once he has your "membership fee" he can let many months pass before you start kicking up much of a fuss. That's all the time he needs to gather his harvest and split for other regions.

There are a number of legitimate product-testing concerns operating throughout the country. They don't require membership fees, and they don't ask you to buy any products. Often they will pay you a token amount for testing their products or attending their meetings. It might be a simple way to pick up cigarette money on a one or two show basis, but don't look at it as a means of providing an income. If you are intrigued with getting involved in a product-testing firm that may contact you, keep it to the product testing and nothing more. If a pitch comes out that might lure you towards investing money in a distributorship, buying products, or anything related to a pyramid or referral scheme, say "thanks, but no thanks," and get moving.

It's always distressing to me when a reader of my column will write inquiring about various schemes. They will have been alerted to the fact that scheme A is a mass of deception, and they will know that they have no intention of getting involved. But, they go on to say, here's plan B, which they did get involved in, and do I think it looks all right? In fact, plan B is just a subtle variation of plan A and, of course, once they've already taken the plunge, there's little I can do to help them. As I've pointed out, you must alert yourself to spotting the warning signals of these schemes. If Snake Oil Sam spots 100 potential victims, he can disguise the same scheme in a hundred different ways so each victim will think he's getting involved in something completely different from his neighbors.

Travel Deceptions

Are Americans traveling more, but enjoying it less? The unprecedented boom in travel in recent years has been matched by an unprecedented increase in travel foul-ups. They vary from hotel and airline reservations that get swallowed up in computers, to four-star horror shows wherein whole planeloads of charter package-plan tourists get stranded in some distant city.

There are three primary reasons why travel plans can go awry—and when they do, the cost and inconvenience can be grievous.

A. There is infinite room for deception and misunderstanding whether caused inadvertantly, intentionally, or by virtue of bureaucratic machinations with rate structures, and the like.

B. The average individual doesn't travel frequently and thus is relatively naive to the potential problems that can occur. Being thus unprepared leaves one all the more vulnerable to loss.

C. The travel industry in general, perhaps more than any other industry, is subject to "circumstances beyond its control"—which can end up ruining your vacation or business trip. A few flights delayed by bad weather or mechanical difficulties can cause backups in the entire system, resulting in missed connections, messed-up hotel reservations, and a host of other woes.

The airlines can't plan for such occurrences with any reasonable degree of assurance, but *you* can plan alternative measures just in case there is such a delay. As a matter of fact, if you do have any traveling plans and time is of the essence, you should take the time to arrange for alternative plans if a disruption occurs. Another circumstance might find you arriving at a busy resort hotel, and the room that has been booked for you is still being

occupied by the former guests who have decided to stay on a bit longer and refuse to leave the room. Some hotels can handle these matters diplomatically and keep everyone happy, but some hotels either can't or won't. Again, alternate arrangements should be planned to protect against such contingencies. These various events might be few and far between, but when they do happen they hit like lightning.

Let's take a look at some of the areas where deception and misunderstandings can occur.

—*Air travel rate structures* have grown to be a grotesque Frankenstein monster. On any given nonstop flight between two cities, a survey of all the passengers could reveal upwards of a dozen different ticket prices they had paid. The only fare differences that are easy to understand are the different ones for coach and first class. Coach is pretty much the standard brand, whereas in first class you get a little wider seat, a little fancier meal, and a lot bigger ticket price. Beyond that there are excursion plans, family plans, group plans, special discounts for youth, servicemen, clergymen and, no doubt, someday a special rate for red-haired, green-eyed tuba players traveling with their granddaughters. You'll get different fare structures if you're traveling on certain weekend hours as opposed to week days; different fares depending on how long you're staying; different discounts depending on how far you're traveling, and in some cases, extra discounts if you take late night flights. Further complicating the basic air ticket prices are the inclusion of land arrangements which many airlines are offering. These are package deals including a variety of features such as hotel rooms, meals, theater tickets, rental cars, guided tours, and so on.

As if this weren't enough mishmash already, the final confusion is added by the fact that fare structures are constantly changing. The competition between domes-

tic, international, and charter airlines plus the added bottleneck of governmental and international controls on markets served and prices charged, creates a veritable kaleidoscope of pricing, scheduling, and services.

Is this deceptive? Yes. Insofar as the rate structures cause confusion among airline personnel and travel agents, let alone the poor traveling individual, they are deceptive. Perhaps they are inadvertantly deceptive; nonetheless, they can cause as much headache as an outright double-talk pitch from Snake Oil Sam himself.

As a supposed aid to the traveler, all airlines are theoretically supposed to levy the same charges for the same services. Further, all airlines should give you the lowest possible fare that your scheduling and circumstances will permit. What's good in theory doesn't always come out that way in practice, though. As a fairly active air traveler, knocking off 25,000 to 50,000 miles in a given year, I have found as frequently as not that three different telephone calls to travel agents or airlines inquiring about the same exact trip can produce three different fare structures.

What, then, is the solution to the problem of paying more than you should for air travel? Seek, and hopefully ye shall find, the best deal. It might mean two or three or four phone calls to the airline agents or to your own travel agent. It takes an awareness of the different rate structures, and the need to ask pertinent questions of the agents—is this the best price available, can I get a better price if I travel at any other time, or stay at my destination for a longer or shorter time, and so on. Furthermore, if you're planning a trip for some time in the future, you should determine if there's a likelihood of rate changes in the future and whether you can protect yourself against such changes.

—*Package plans.* Package plans have provided idyllic and inexpensive vacations for a great many people. Un-

fortunately, for some, the package plans have proven to be nightmares. The package plan, broadly speaking, is a group of people traveling together along a set itinerary, which may include their hotels, sight-seeing excursions, and usually a number of meals. These package plans are available on chartered flights and also on regularly scheduled flights of domestic and international airlines. A great many such plans are also available for travel within the United States, including Hawaii.

The choice of package plans can be mind-boggling, and picking the right one, or the best one, or the cheapest one, could well require the use of a computer. For example, if you wanted to take a "two-week special" from the east coast to the major European capitals such as Paris, London, and Rome, you might have many *dozens* of plans from which to choose. They're all generally the same, yet all slightly different. You can study the elaborate colorful brochures until your eyeballs ache, and very likely you still won't know exactly what you're getting for your money. You may not be aware as you read the brochures that there's any difference between a "first class hotel" and a "deluxe hotel." In the continental manner of rating hotels, the difference can be considerable. A "continental breakfast" might seem by the way it's worded to be a sumptuous treat, and you may be dismayed to learn that it's a roll and a cup of coffee.

In package promotions such as these, where does salesmanship end and deception begin? It's impossible to tell, unless you can garner firsthand experiences from people who have taken such trips. Adventures such as these can be costly and they might be a once-in-a-lifetime proposition for you. You don't want it to go wrong and you want to get the most for your money. That being the case, you should consider the various alternatives available to you.

First, you must weigh the relative cost of a package

plan as opposed to a "plan-it-yourself" trip, and the relative herding around as compared to relative freedom you can enjoy. If you have an alert and accommodating travel agent, I believe it's possible to plan a complete do-it-yourself adventure that won't necessarily cost much more than a package plan and will give you a more abundant choice of things to do, places to stay, and other entertainments along the way. There are some excellent travel guides that can help you in this planning. Fielding and Fodor are among the most respected, and your travel agent can probably supply you with more detailed information on specific hotels.

If you do decide after all your homework that a package plan is your best bet, consider carefully the wisdom of taking a plan that offers regular scheduled airline service as opposed to charter service, particularly if the difference in price is negligible. Hopefully, the plan offering the scheduled service would involve less chance of being stranded, and a better chance of getting unstranded, should the circumstances develop.

—*"And Up."* Those two little words can be the biggest bafflers in the whole travel industry. They may be set in small type, but they have big implications. You'll see them appearing in all kinds of travel ads—travel clubs, resort offerings, cruises, package plans, and the like. The words "and up" mean exactly what they say they do; the price being quoted is the rock bottom minimum and the rates can skyrocket from there. (The word "from" means the same thing as the words "and up," except that it appears before the price instead of after the price.)

Are enticements such as "from" and "on up" deceptive? It depends. The seasoned traveler will be aware of the difference between minimum rate accommodations, and other facilities available at a higher price. But to the infrequent traveler, who may be looking forward to a rare vacation beyond his normal bounds, the enticement,

if swallowed, may lead to disappointment. In a sense, these little words are akin to the bait and switch tactics referred to earlier. The lavish advertising and brochures are intended to put the reader in a frame of mind to go to that place. The quotation of the minimum rate (particularly when no other rates are quoted) reinforces your commitment to go. If you take them up on their offer without first learning what the minimum accommodations consist of, you're liable to be in for a great disappointment. Also, when your disappointment is expressed, you're liable to find them only too willing to boost you up into a much higher-priced room—once you've paid to get there, it's tough to resist. Either a broom closet or the normal guest room, which will it be? If you do inquire in advance, you're liable to get a bit of double-talk trying to convince you that the minimum rate rooms and all the other rooms are roughly comparable, except, perhaps, for location within the building itself. To avoid getting entrapped, it's best to compare notes with people who have been to these specific resorts, such as friends, or perhaps your travel agent. Your travel agent will also have directories that can give you a more specific rundown on the type of rooms available in the various hotels.

In some cases, notably the Miami Beach resort hotels, their advertising will clearly stipulate that their minimum rate applies to a certain percentage of all available rooms. This at least gives you some indication that assuming all rooms are somewhat comparable, there is a limited supply of the cheaper ones. In many cases, of course, the minimum-rate rooms can be perfectly adequate for your needs—in which case there's no reason why you shouldn't take them. It's all a question of knowing what you're getting into before you've committed yourself.

With regard to cruises, not many years ago if you wanted to enjoy an ocean cruise New York was usually

your point of departure. However, in recent years the cruise industry has expanded greatly, and this novel and exciting form of vacation is available from points in southern Florida and California. Thus, cruises are more accessible to more people in more parts of the country, and the choice of ships and itineraries is far more extensive than ever.

Cruises range from three-day "excursions to nowhere" (actually, just a long weekend circling out into the ocean and back again with no stops) to sumptuous around-the-world adventures that take 90 days and more. The most common cruises, and those within the financial grasp of most folks, are the 7- to 14-day cruises to the Caribbean and the western shore of Mexico. Fly and sail arrangements from one coast to the other make a departure from Los Angeles for a Caribbean cruise, and an east coast departure for a Mexican cruise, hardly more expensive than cruises on your own nearby respective coasts.

"And up" or "from" are generally employed in quoting cruise prices and advertising. In other words, the most common way of quoting cruise rates for the shorter cruises is to set forth the minimum rate. With cruises, though, there's far less chance of being misled by such a quotation, since the cruise line or your travel agent will readily give you a deck plan which shows specifically the location and relative size of all rooms on the ship. Cruise rates are quoted on a per-person basis, generally applying to double occupancy. The difference between the minimum rate and the maximum rate can be staggering; the minimum rate might be a few hundred dollars, and the maximum rate a few thousand dollars.

What's the difference? All facilities on a cruise ship, including meals, service, entertainment, access to public lounges, and so on, are exactly the same for everyone regardless of the price you paid for your room. (This applies to "one-class" cruises. There is a rare smattering

of two-class cruises; also a number of trans-Atlantic crossings still maintain different classes, in which case facilities for the various classes may differ and the lower classes can't make use of the facilities reserved for the upper classes.) The price difference between minimum and maximum rooms is accounted for by two factors: first is the size and location of the room, and there can be a considerable variance. The minimum-rate room is possibly without private toilet facilities, and is likely to be in the lower decks on the inside (no porthole—which shouldn't be any problem unless you're claustrophobic, since most cruise ships are air-conditioned in all rooms.) If you're booking, check to make sure. The upper-rate rooms will be located in the upper decks, closer to midship, and will be considerably larger. Private bathroom facilities are the rule with the higher-priced rooms. The other difference, which is very slight, is that if the ship has two seatings in the dining room, the higher-priced room patrons will have a first crack at the seating of their choice. (Often, the later seating is preferred, since there is no pressure in the later seating to vacate the table to make room for the next seating. Thus, if you enjoy a long leisurely meal, the second seating might be a better arrangement for you.)

Studying the deck plan will disclose the exact location and relative size of rooms and their respective prices. Studying the deck plan and making a careful early choice is a *must* if you are to get the most comfort and convenience that your budget will allow. In contrast to a resort hotel where frequently the price you pay includes nothing but the room, the lower-priced cruise rooms might be more attractive since all other facilities are included in the basic price of your room. Thus, the somewhat more crowded conditions in your stateroom might be more than easily offset by the fact that you're enjoying all of the same amenities that the person paying three times your price is enjoying.

—*Deposits.* A great deal of confusion and dismay can result when you put money down for a trip (other than straight airplane flights) and later, when circumstances force you to cancel the trip, no refund is forthcoming. Most travel arrangements such as cruises and resort reservations, and particularly package plans, will require a fairly sizeable down payment or deposit in order to reserve your space. It's vitally important that you understand precisely what your cancellation and refund privileges are. Normally, the closer you get to departure date, the less refund you will get back if you do have to cancel. Often there will be a provision that if you cancel within, say, 15 to 30 days prior to departure, you won't get anything back unless they're able to sell the space to another party. This may seem like a heavy penalty to a family who suddenly encounters circumstances beyond their control, requiring them to cancel the trip.

On the other hand, the resorts, cruise ships, and package-plan operators apparently have found it financially disastrous to them when "trip-shoppers" would reserve a number of various travel programs and wait until the last minute to choose which one they preferred. Not only did this block off space that they couldn't sell to others, but it would prevent people who wanted to buy that space from buying it until the very last minute. Thus, the travel operators established these restrictions, and unless you can work out some other arrangement in advance with an understanding tour booker, you are subject to their restrictions.

Another problem that crops up, albeit infrequently, is when a customer places a deposit with a tour agent and later comes to find that the tour agent has disappeared into the night. Such totally unscrupulous operators shouldn't exist, but they do. This is why a careful choice of travel agencies and tour operators is as important to the traveler as the choice of a merchant is to the shopper.

—*Travel agents.* Yes, you should seek out a reputable travel agent and use him for your travel arrangements. Not just anyone can hang out his shingle and become a travel agent. Agencies with the proper credentials have to maintain a staff with necessary experience in the field, and before they can arrange bookings with airlines, cruise ships, and so on, they must receive "appointments" from the appropriate organizations. Generally travel agents don't charge for their services. They obtain their commissions directly from the airlines, hotels, and ships. In other words, you get the benefit of their own travel experience and expertise, and it doesn't cost you any more.

In some rare instances there may be token charges for the services of a travel agent. For example, if they make a number of long-distance phone calls or send telegrams, they might charge you accordingly, depending on the overall commission they might make from you. Also, since a travel agent makes a relatively small commission on airline tickets, considering the mumbo-jumbo of rate structures they have to struggle through, some agents might charge you a token fee of $1 or so if they revalidate an existing ticket. They would not charge for writing up a new ticket, but to change arrangements on an existing program, they cover their costs by imposing a small charge; this is reasonable.

Travel agents doing a large volume of business might be capable of putting together package tours on their own. This might offer another alternative to buying a package tour sight unseen through an advertisement. At least you have someone you can visit with personally, and complain to personally if need be, if something goes wrong.

—*Written confirmations.* Whether it's a motel 50 miles away, a chalet in Switzerland, a thatched-roof bungalow in Tahiti, or an around-the-world cruise, it is ABSO-

LUTELY IMPERATIVE THAT YOU NOT LEAVE YOUR FRONT DOOR WITHOUT HAVING A WRITTEN CONFIRMATION OF YOUR RESERVATION IN HAND. When all is said and done, this is the best protection against foul-ups in your plans. Whenever, wherever, and in whatever condition you arrive at your destination, there's nothing more distressing than being told you don't have a room. And don't think it can't happen. Some places are not above overbooking, in the hopes that some people won't show up and there will be rooms for all. Some even don't care. In this day of computers, high turnover transient hotels, and mail foul-ups, it can happen out of pure accident that your reservation is never made. Whoever makes the reservation for you, whether it's the airlines, your travel agent, your secretary, or yourself, be certain that you request a written confirmation to be mailed to you upon receipt of the reservation request. If you haven't received the confirmation within a few days, you should write or call and determine what happened to it.

Yes, it can happen that even with a written confirmation in hand, there's "no room at the inn." This can easily happen in resort areas where guests decide to stay on for a few extra days and the hotel can't or won't get them out. It's a particularly touchy situation in a town like Las Vegas—one of the most heavily visited resort areas in the world—where a high-rolling gambler might be down a few thousand dollars, and he refuses to leave the premises until he's had a chance to try to recoup his losses. Not that the hotel doesn't want to give him that chance (knowing well that he will probably just go in deeper), but as a matter of curious courtesy to such guests, they often have to infringe on the good will of arriving guests and watch them either cool their heels or stomp off in anger to other hotels.

—"*Free vacations.*" One last form of travel deception,

referred to in the part on land frauds, involves "free vacation deals" which may arise as a result of phony contests, drawings, or simply free coupons at gas stations, state fairs, and the like. The essence of these deals is that you pay a $15 or so "registration" fee for your "free" vacation program, usually in Las Vegas or southern Florida. You have to get there on your own hook, and the "free" accommodations are often a cheap room at a low-class motel. The room itself may not be worth the $15 registration fee. The big hooker in such deals is that you are expected to listen to a pitch for some land promotion. A great deal of legislation has been passed to control these promotions and stop the deceptions, but I've never known Snake Oil Sam to be deterred by a little legislation. There have been reported cases of travelers getting to distant states at their own expense, only to find that the "free" accommodations aren't available at all and they're stuck with little or no money.

The worst aspect of such promotions is that the firm handling the travel and other arrangements is a fly-by-night. You may or may not miss the $15 registration fee, but they might have collected a few thousand of them and taken off for parts unknown. It also happens with some frequency that they foul up the arrangements; delay (if not renege altogether) on making promised refunds; and cause other clerical and bookkeeping errors that can be aggravating to you.

They say that the best things in life are free; it might still apply to moonlight and flowers, but not to "free" vacations. It just doesn't work that way.

Deceptive Food Freezer Plans

"Just think—all the delicious, nutritious, vitamin-packed food your family needs for a fraction of what you'd pay at the supermarket!"

This is the essence of the opening pitch used in sell-

ing deceptive food freezer plans. The catch is a very simple one: as part of the deal you buy a freezer that might cost four times more than what you could buy a comparable or better freezer for at a local store, and the savings on the food aren't nearly what they're made out to be, if there are any savings at all. In essence, plans of this nature are thinly disguised schemes to sell freezers, and the food that comes forth, if it does come forth at all, can be of poor quality and unimaginative choice. I have reports on food freezer plans that have been ballyhooed in a given community, only to go out of business as soon as they've sold a lot of freezers; then peddled the long-term, high interest rate IOUs off to finance companies to get their money out.

I have seen reports of freezer plans where indeed the food was delivered, but it was not the choice nor quality nor quantity that had been initially ordered. Fast-talking salesmen would usually calm down the customers until they had a chance to get their money and run.

If a food freezer plan is to be of any value to you, you should consider the cautions that follow.

Does the plan entail the purchase of a freezer? If you already own a freezer, can you still partake in the plan? If the purchase of a freezer is involved, how is it priced and can you do better elsewhere if you don't already have one?

What about the food itself? What kind of specifications will the firm give you with regard to the meats, the vegetables, the canned goods? What brand names will be included? If off-brand items are included, can you find out the quality of these goods? If the firm will give you a detailed shopping list of all the foods they make available, get right down to your friendly grocery store and start doing a careful price comparison check. Are you really getting a better deal? Or are you not? Will the assortment of food they make available to you be

satisfactory to your family? Will it be enough? Will there be more waste than you care to indulge in? Will you be satisfied with frozen foods if you have been preferring fresh foods?

What about the financing? Can you arrange for your own financing if need be? If they propose to arrange the financing for you, with whom will it be, and at what rate?

What about the service? Will deliveries be made as stated? Can you find other people who have dealt with this firm and determine their reactions to the service and quality of food? Naturally the firm itself can give you names of people, but you want to find people on your own who are more likely to give an objective opinion. Remember that once you're into the plan, it's blessed tough to get rid of a used freezer that you find you don't want anymore, and even tougher to get rid of a long-term sales finance contract that you've signed.

Baby Photography

There's an assortment of sharpies who prey on the natural instincts of parents to want photographs of their infants and growing children. It may be difficult to spot them from the many legitimate firms, including major department stores, who can offer a fine service at a fair price in this regard.

The typical devious operator will come on with a pitch offering absolutely free sittings and possibly a free print of your child. This approach might also be used by legitimate photographers, but the catch comes later when the proofs are shown, along with a very heavy sales pitch. To a family unaccustomed to the costs of salon photography, the price for duplicates (one for every aunt, cousin, grandparent, uncle, and old high school chum) might be difficult to estimate. The sharpie will have an extremely high-priced package as compared with the legitimate salon, and there is a possibility

that once you've made your large down payment for the order, you'll never see either the money or the pictures again.

No child will change that much in appearance from one day to the next. Use that intervening day of slight change to get price lists from all prospective photographers and compare them with salons you know to be legitimate. If a sharpie won't give you a complete price list at the time he's making his pitch, or at the time of the sitting, then you had better forget about the whole thing.

Deal with people you know you can trust, who will deliver the goods, and with whom you won't be jeopardizing any of your money.

Borrow-By-Mail Schemes

What could be more pleasant than to open your mail and find that someone wants to send you $600 by return mail if you'll just sign a little form and send it off? Whether you're financially at the ragged edge, or just in the mood for a splurge, the borrow-by-mail solicitations can be tricky and dangerous.

Even if no deceptive tactics are involved, you can be fairly certain that such financial arrangements will be at the highest interest rates the law will allow. And you'll be dealing with a distant firm who's not as concerned about your financial well-being and your future business as a local firm might be (see Part Four, on the "Myths of 'E-Z' Credit" for more details).

However, people's need for money has been a fertile field for Snake Oil Sam, and deceptive practices can occur in this type of solicitation. The offer might lead you to believe that you can get "cash in a flash" merely by signing the simple form, and the money will be on its way to you—no credit checks required, no co-makers required, no nothing. In point of fact, the firm has not

approved your credit and will only do so upon receipt of your signed document, which is in reality a valid promissory note once you've signed it. Furthermore, they will probably require you to sign additional documents which could constitute an assignment of your wages to them, and a mortgage on real or personal property that you might own. Moreover, the documents might not fully disclose all that is required under the Truth in Lending Law. Incidents such as these have been banned by the Federal Trade Commission, but there are new ones born all the time.

If you are in a financial bind, visit your local bank or consumer finance company. If you can't get help from them, a visit to your family debt counseling service or your lawyer might be advisable. Dealing with strangers by long distance mail is a dangerous last recourse.

Debt Adjustment Services

This is a first cousin of the borrow-by-mail operation. While a small number of firms might be licensed in various states to perform such services, unscrupulous debt adjustment firms can be dangerous to the unwitting person struggling under a load of debts. Such firms are not loan firms—they don't loan you any money. Their function is to collect regular payments from you and then disburse them to your creditors. In other words, you agree to send them $100 a month and they parcel it out to your various creditors. They charge what can be a whopping fee for the service, and if you fall into the clutches of an unscrupulous operator, your monthly payments to them could disappear into the blue sky. This leaves you with your creditors breathing down your neck even hotter and harder, and you're in a pit that's tough to dig out of.

If you are at a point where your debts are more than you can handle, there are other courses to take before getting into the hands of a debt adjustment service.

Your local family debt counseling service or lawyer can arrange an accommodation with your creditors whereby they will agree to accept a certain amount each month (less than the normally required payments) until you're back on your feet. Your lawyer would call this an "assignment for the benefit of creditors" and you would enter into a written agreement which would give all parties assurances of your performance. You're dealing with people you know you can trust, and the chances of falling into the aforementioned traps are minimized.

Phony Packages

This is a quaint, old, and bold gambit that Snake Oil Sam might reserve for his quiet moments, or one that he might use to train future lieutenants in his vast army. The purpose in relating this scheme is not so much to warn you about being alert to it, since it is probably very rare. Rather, it's to warn you of the universally important truth: don't ever part with money unless you know precisely what you're getting for it.

Your doorbell rings and there stands a bright pleasant-looking young chap wearing something resembling a delivery boy uniform. Out on the street is a car or truck with some insignia or decoration that would lead you on a casual glance to believe it's some sort of delivery vehicle. The young chap tells you that he has a C.O.D. package for your neighbor next door and he's been around a number of times and found no one home. He lives on the other side of town, his wife is having a baby any minute now, he has to go home and feed the pets, and a whole raft of other things. He's terribly believable and pleasant, and when he asks you if you would mind paying the C.O.D. charges and holding the package for your neighbor until she arrives home, he'd be most grateful to you.

You want to be a good neighbor, and you stop to think that if you don't help him out, he'll tell your neighbor

when he comes back tomorrow that you wouldn't accept the package and the neighbor will probably get angry with you. In any case, you give him the money—maybe $10 or $20—and he graciously thanks you and drives off.

An hour or so later, you see your neighbor's car in the driveway, so you walk over to deliver the package and collect your money from her. She's surprised to learn that you have a C.O.D. package since she has not ordered anything. In confusion, you stand as she opens it and finds that it's full of crumpled old newspapers. With a dumb smile on your face, you tell her that you shelled out $20 for this. With another kind of smile on her face, she tells you that it's really a darn shame but she doesn't know what she can do about it.

The trick is surprisingly easy; all it takes is a car, a rented delivery suit, and a pile of packages. Then it's just a matter of driving through neighborhoods looking for empty driveways.

You see, you just never can tell how, where, or when Snake Oil Sam will strike next.

Phony Auctions

You might see them at carnival or state fair midways or in fancy resort areas. The possibilities of deception, no matter where you find them, are enormous.

Customarily the auctioneer will start out by offering "loss leaders"—small items of nominal value that he's virtually giving away to get you into the mood. Gradually he works up to more costly items, which can be exotic enough to defy any kind of normal comparison pricing—jewelry, rugs, bric-a-brac, paintings, and other such things.

The auctioneer will weave his magic spell and the bidding begins. You find yourself interested in a particular object, so you start bidding. Every time you bid, he nods his head towards the other side of the room and accepts a higher bid. This goes on and on and, try as you

may, you can't find anyone else on the other side that's bidding against you. Before you know it, he has banged his gavel and said "going, going, gone," and you're now the proud owner of an "authentic 1874 Martinique-Duchamp hand-hewn crystal ankle brace," price: $275.

The deceptions are simple in concept, yet cleverly executed. The auctioneer can lead you to believe that you're getting something for nothing or a lot for a little by his very detailed and cleverly worded description of the article and its presumed value. The second and more stinging deception occurs when the bidding takes place and the phantom that's bidding against you never seems to win. Some such auctioneers, in order to maintain an aura of legitimacy, will permit you to take the object out for an independent appraisal (provided you leave your check with them in the meantime). Some people actually do seek out such appraisals, and if they're lucky they might find that they've made a reasonable purchase. Other times, they've found that they've been taken, and then it's a matter of good faith on the part of the auctioneer to honor his money-back guarantee.

All too often, however, people are embarrassed to seek out an independent appraisal, and would sooner swallow their pride and not have to admit to anyone that they made a mistake.

If an auction gallery is selling pieces that are of genuine interest to you, you should make an attempt *before* the auction to either take the piece out for appraisal or bring in an appraiser whom you can trust to give you his indication of value. Once the bidding begins you simply must determine if you are bidding against real people or spooks, and how high you're willing to go. If the auctioneer suspects you'll go on indefinitely, he'll take you as far as the traffic will bear. You're caught up in the swirl and excitement of bidding, and it's easy for your common sense to take leave of you. That's the risk you expose yourself to when you get involved in an auction,

legitimate or not, unless you're an expert. The simple solution: leave the auctions to the experts.

Health Club and Reducing Salon Rackets

Fatties of the world unite! Your lot is not a happy one in more ways than one. Not only, as the saying goes, is there a skinny person inside of you trying to be let out, but there's a lean hungry person on the outside trying to get in—into your wallet, that is. It's none other than Snake Oil Sam, and he has a dazzling array of schemes and devices designed to satisfy your hunger for thinness, and to thin down your bank account as well.

Picture Slender Sam in a tight white gymnastic suit, glowing with health and rippling with muscles. In addition to the fatties, he's ready to give the big rubdown to an assortment of vain women, underdeveloped men, and anyone else who isn't quite satisfied with the body God gave him or her, or what he or she has done with it, to it, or in spite of it. Health and reducing salons, legitimate and otherwise, pop up on the landscape like mushrooms, and the deceptions can abound, appealing as they do to human vanity.

The most blatant deception is to set up a gleaming palace of exercise devices, put on a blitz advertising campaign to sign up members, collect a pile of checks, and disappear.

Anything more subtle than that is likely to be a combination of cleverly worded representations—or misrepresentations—about what results the salon can produce for you, combined with your gullibility about wanting something done quickly and painlessly. This is a two-sided kind of deception which, like many other of Sam's tricks, requires both a story-teller and a believer.

In spite of the elaborate array of rollers, bumpers, grinders, stretchers, and squeezers that glisten before your eyes in the salon, there is nothing that those fancy

machines can do for you that a sensible program of exercise and diet as prescribed by your family doctor can't do, and for a lot less money. As a matter of fact, their machinery can't do as *much* as the exercise and diet regimen.

"But it looks so easy and effortless," you may say. But does it work? Maybe it works for some, and if your curiosity is over-abiding and you can sign up for a short-term trial period without risking much expense, what's to stop you?

But let's tell it straight from the shoulder: taking what seems like an easy way out, regardless of the expense, is a sure sign of lack of will power. If the will power had been there in the first place, the fat wouldn't be there now. If the will power had been there in the first place, the flabby muscles wouldn't be flabby now. If the will power had been there in the first place, there'd be no need to be deceiving yourself into thinking that you can overindulge in any kind of activity, then press a magic switch or write a simple check and find all your problems solved. Snake Oil Sam isn't the only one guilty of deceiving you. You can be equally as guilty, and if you let yourself overindulge in frivolous programs, you've got no one to blame but yourself.

Then there's the whole array of reducing devices, muscle-toning devices, diet programs, and other "therapeutic" endeavors that will supposedly make a healthier person out of you. Again you say, "How far wrong can I go for $5 or $10 or $25? It'll cost that much to see my doctor and get his views anyway." Well, not only can you go $5 or $10 or $25 wrong, but you can be losing time and another little chunk of common sense by letting yourself indulge. You might not miss the money this time around, but you've lost that extra little edge of resistance to the next "easy way out" that comes along.

If a dose of your doctor's advice well-taken, plus a

regular routine at your nearby gym (Y, school, or community center) can't solve the problems caused by a nagging vanity, then for sure, Snake Oil Sam can't solve them.

Phony Employment Agencies

"Stuck in a rut on an assembly line or behind a desk or on some mind-numbing sales route? Why suffer? Why not be a top-paid executive and spend those boring hours playing golf instead of working?"

This was the hard impact behind the cleverly worded spiels of a number of "career counseling services/employment agencies" that surfaced in abundance during the late '60's when many businesses were expanding at a far faster than normal rate. Complaints of irate victims and subsequent investigations squashed them for a time, but they are certain to surface again when the time is right. The essence of their gimmick was that for a substantial fee—which could range upwards of $2,000—they would provide a complete vocational counseling/psychological-probing/job-finding service. They would conduct a number of quasi-psychological tests to determine your true career goals, put you through some counseling sessions with a supposed guidance counselor, and then purportedly approach their upper echelon contacts in all of America's major industries to place you according to *your true* wishes. In fact, they would put your file into a cabinet, where it may still be sitting today, unchanged except for a layer of dust.

Another type of scheme, perhaps perpetrated by the same operators, came to light along with the rising tides of unemployment in the early 1970's. These were the agencies who purported to offer high paying, exotic, glamorous jobs with overseas firms, paying delicious-sounding salaries, plus all kind of benefits. The truth behind this kind of racket was that old Sam in the gray flannel suit, was ripping off fees of $200 and $300 and

awarding fictitious jobs to the woebegone applicants. In some cases, applicants had already quit their existing jobs in the hope of being placed overseas.

In addition to your state employment agency, there are in your community a number of honorable and legitimate agencies whose past reputation can be readily checked. The rose gardens promised you by the fraudulent operators will for certain turn out to be nothing more than a patch of weeds.

Tax Preparation Shysters

This is one kind of operation that could easily be laid at the doorstep of the bearded man himself, Uncle Sam. If someone out there in Income Tax Land had been able, way back when, to keep the forms and regulations and requirements in a simple version of the English language, we wouldn't witness the proliferation of income tax preparation services that now dot the landscape.

In spite of all the good work that many of these services do, and for a fairly reasonable price, a number of deceptive practices have cropped up. Among these are the following.

—The lure of bigger and better deductions than might otherwise be available. Be it clearly understood that nobody, whether tax service, accountant, yourself, or the Internal Revenue itself, can produce a return for you with more deductions than the law will allow. There are no such things as secret deductions which are known only to certain tax services. An accurate, complete return is all that can be expected of anybody, and any intimation that more than this can be done is erroneous.

—Misleading promises to pay any penalties that may arise as a result of information filed with the return. This lure, which is a matter of clever wording, is designed to get you in to do business with the firm. No firm will pay a penalty that is occasioned by erroneous information that you yourself provide them. If *they* do make an error

in calculation and the error is caught by the IRS, they should be obliged to pay any penalty arising from that error—if they're still around to pay it when the error is caught. The greatest danger is tax servicing firms that are here today, gone tomorrow; that don't fulfill promises of payment of penalties; and that might sneak off with the refund money due you.

—Representations that their staff has achieved a certain level of expertise through training in the field of tax preparation when, in fact, the staff might be relatively untrained part-timers who have received an inadequate crash course in tax preparation work. This could result in a botched-up return which does not take advantage of all the tax law allows you, and which could possibly expose you to penalties arising out of inadvertent errors.

—Misleading statements as to fees charged, such as "only $5." When you get into their office, you may find that the basic 1040 short form is $5, and anything over and above that is extra dollars here and extra dollars there. You should determine in advance exactly what their fee structure is before you pay them a visit, and remember that the cheapest isn't necessarily the best.

As with all other businesses, determine how long they have been around, how long will they continue to be around, and who speaks well or poorly of them. In short, know with whom you're dealing.

Swimming Pool Rackets

Many of the problems encountered with swimming pool swindlers can be accounted for in the section on home improvements.

There's a great volume of business being done in so-called "above the ground" pools, and deceptive practices involved therein can be above and beyond commonplace deceptive practices in home improvement rackets. Since most of us rarely buy more than one swimming

pool in a lifetime, we're not accustomed to knowing current market prices or values of pools. Snake Oil Sam in his scuba gear can advertise that he is selling his "regularly-priced $3,000 above the ground deluxe model" for a fantastic savings of $1,000 off, this week only! In reality, careful shopping might reveal that the unit retails at other reputable places for $1,000.

Or Sam might flash some fancy advertising for that same $1,000 pool (or so it seems in the ad) "this-week-only special" for $695. You run down to Sam's showroom and he tells you that the $695 model isn't really very good—the liner is sure to leak, the filter pump is sure to break down—but he had to advertise it because there are some people who don't want to get the best that money can buy. "Come with me. I want to show you a really beautiful pool." And Sam's on his way to pulling off the old bait and switch game.

Other misrepresentations used to sell pools might include that they are maintenance-free; that the liner will last "forever," or for an inordinately long time, such as 25 years; that the pool can be used as an ice-skating rink in the winter time. Federal Trade Commission complaints have alleged that such representations are deceptive.

Summing Up

Summing up this trek through Sam's stupendous side show, there are a few major points that bear repeating:

—There's no substitute for knowing with whom you are dealing.

—There's no substitute for your own common sense and keeping a tight rein on it.

—Whatever the deal, however enticing it may be, remember that Snake Oil Sam is thoroughly prepared and you're not, and he knows it. This gives him a decided edge that you're not about to overcome.

—There's no such thing as "something for nothing" or "a lot for a little."

PART SIX:

WHO'S DOING WHAT TO WHOM, AND FOR WHOM?

"**Ubiquitous,** adj. . . . existing or being everywhere at the same time . . ."

WEBSTER

Snake Oil Sam is ubiquitous. He is everywhere at the same time. Not seemingly; really. He might be on Main Street, U.S.A., scrounging dimes and quarters for a fake charity, and at the same instant, prowling the Canyons of Wall Street in hot pursuit of a multimillion-dollar scheme that will find a clutch of big businessmen as the victims.

His collar might be blue or white, expensively starched and pressed, or "ring-around-the . . ." His garb might be gray flannel or dirty work-cotton. His education may be third-grade drop-out, or Master's in Business Administration. He might be a young punk, or a wizened old gentleman.

You don't know him when you see him, and you don't know until after you don't see him anymore that you are also lighter by a few, or a bundle of, dollars.

By any other definition, Sam is a thief. But he is a unique kind of thief. He's not like the mugger who assaults you on the street and, at gunpoint or knifepoint, forces you to hand over your money or else. He's not like the burglar who breaks into your house, and picks and

chooses at his fancy. He's not like the embezzler who is adept at maintaining a two-faced image, and manipulates you while he steals behind your back.

Snake Oil Sam Needs You!

No, unlike those surly characters who use force or violence or sneak tactics, Sam is a breed unto himself. When Sam is operating, his victims are under no threat, no fear of bodily harm. They are wide awake, conscious, and in relative command of their senses. They are not under the influence of any drugs, stimulants, tranquilizers, or hypnosis. They are completely free to question statements that have been made to them, and to inquire about matters that have *not* been disclosed to them.

Nobody is forcing, coercing, or intimidating them to sign the documents they do sign. Nobody is hiding from them the vast amount of warning materials found in newspapers, books, magazines, and pamphlets produced by consumer agencies of all types.

When Sam is done with his business he can often walk quietly, fearlessly, calmly away from the scene, confident that he will not be under imminent threat from the authorities. He needn't hide out, plan get-aways, or worry about shoot-outs.

He looks upon his sickly brethren—the mugger, the burglar, the embezzler—heaves a sigh of sympathy for them, then laughs all the way to the bank.

Why such a brazen, self-assured attitude for a thief? Because Sam has the most amazing accomplice any criminal could ask for—his victim. After the guided tour through Snake Oil Sam's Halls of Fame, major and minor, as set forth in the preceding pages, there should be no doubt in anyone's mind that Sam is the ultimate master in making the most of our human weaknesses.

(Pardon me folks. This is your author speaking. Here I am, very obviously building up to some very punchy

statements about how we, the victims, can stop Snake Oil Sam dead in his tracks if we just wake up and stop being victims. This, I would conclude cleverly, would be very easy if you follow the advice set forth in this book. But, lo and behold, just as I'm about to turn some eloquent phrases, who should come popping into my brain but Snake Oil Sam himself, demanding equal time.

"Rosefsky," he says, "you've been bad-mouthing me now throughout this entire book, plus heaven knows how many newspaper columns and magazine articles. That's some kind of gratitude, I must say. Why, if it weren't for me, you wouldn't have had this book to write. That being the case, I think I deserve a little bit of space here to defend myself.")

Well, fair's fair. What have we got to lose?

And Now Folks, a Word from Our Sponsor

Take it away, Sam.

"I've got to talk fast, because I don't know when he's going to cut me off. I really don't think I'm quite as bad as he makes me out to be. I mean, after all, there are a lot of people you'd call 'legitimate businessmen' who certainly stretch the truth, disguise the facts, and charge whatever the traffic will bear. They sleep pretty well at night, and if you ever accuse them of cheating, you're in for all kinds of holy wrath and indignation. Am I really doing anything worse than what they're doing? And when you get right down to it, isn't there a little bit of Snake Oil Sam in all of us?

"When I was a kid, I sure never figured I'd end up such an object of scorn and abuse as I've been in this book. Heck, I went to Boy Scouts and Sunday School just like the rest of you. And, just like the rest of you, I learned somewhere along the way that every now and then you can pick up an extra dime by poking around in phone booth coin return slots. That every now and

then someone will leave a pay toilet door ajar and you're a guest on the house. That sometimes a waitress will undercharge you on your bill and the cashier won't catch it when you pay. That the check-out clerk in the supermarket might ring up $1.69 instead of $1.96, and you don't notice 'til everything's in the bag. That the ticket office at the movies gave you a loge ticket, and you only paid for orchestra. You start to see the world around you.

"Then you start to hear a lot of things. You hear talk about fudging some make-believe deductions on an income tax return, and about padding insurance claims. You hear talk about politicians and what happened to some of the money that was placed in trust with them. You hear about big businessmen and how they exploit their workers. You hear about labor leaders and how they get rich and fat while the rank and file struggles along. You get to thinking that this is what the world is all about, and you're still a teen-ager. But you don't like it, you don't believe it, and you don't want any part of it.

"Then you grow up and you find that you have to work if you want to eat. That's where I was at when I graduated from high school. My folks said—maybe yours did too—'the party's over. We've carried you long enough; now you're on your own.' I got a job selling encyclopedias door-to-door. To me it was a job, a way to make a buck. Encyclopedias are good things and selling is a decent profession. They trained me, and I learned well, and I was off on my own. Was I supposed to psychoanalyze my customers to determine if they really *needed* an encyclopedia? Was I supposed to do an analysis of their financial portfolio to determine if they could afford it? No, I was supposed to sell encyclopedias. That was my job. I didn't know about contracts or laws or interest rates. They showed me where the customer was supposed to sign, and what numbers I was to put in the blanks. Was I to know I was doing anything wrong when

it turned out later that my boss got busted for employing deceptive sales practices?

"Then I got a job selling cars. I knew pretty quick that if I didn't sell so many cars in a week, my family would be sitting out in the cold, hungry and crying. You don't stop to ask the customer personal questions about his true needs and desires when you're thinking about putting bread on your own table. When my boss told me to just soften up the customers at the beginning and offer them a deal that was obviously too good to be true, then told me I'd get a piece of the action if the sale went through at the hands of another salesman, who was I to argue? This was my job. If that's the way my boss wants to sell his cars, am I at fault for obeying him? Am I any more evil than the usher who takes you to your seat in a movie, knowing that the picture is a clunker but doesn't tell you? I don't think so. So what was I to do when some newspaper reporter wrote up our operation as a high-pressure, gimmicked-up, take-over operation, with the result that customers stayed away in droves for months and I ended up without a job?

"A guy could get bitter over things like this and have a desire to get even. With whom? I don't know. When you have that urge to get even, it almost doesn't matter who you get even with.

"When your kids ask you, 'What are we having for dinner tonight, Daddy?', you can't tell them, 'High principles and integrity,' for very long. I got a job as a salesman for a land developer; I knew that the reputation was a little rocky, but I felt I could make a good buck and still keep my nose clean. Is that so wrong? One prospect was ready to buy the minute I finished showing him the slide show. I didn't have to say another word, but I wanted to play it straight. I sat down with him and told him to read through the legal documents, word by word. It said there, in black and white, that the utilities wouldn't be

completed for five years. He wanted to put a mobile home on his lot right away, and he asked me if he could. I told him he could, and then he asked me what he could do if he didn't like the deal once it was all signed up. I told him I would do whatever I could to help him out.

"He was a grown, intelligent man, and he signed that contract after reading through it word by word. I didn't twist his arm. I didn't tell him anything false. In the legitimate business world, a contract is a contract. Why should it have been any different in this case?

"A few months later he wrote me a blistering letter telling me that he was disgusted with the land he bought and asked me to 'get him off the hook,' as I had indicated I would. I went to my boss, who laughed about it. I wrote the fellow back and told him there was nothing I could do. Six months later I was on the receiving end of a lawsuit. He claimed that I lied to him about the utilities and made misleading statements about his ability to get out of the contract. My boss, who had trouble enough already with bad publicity, took the opportunity to give me my walking papers.

"Legally the guy didn't have a leg to stand on, but my boss wanted to avoid further troubles, so he let the guy get out. If this guy hadn't squeezed out of the deal, do you think I'd have any sympathy for him? What business did he have signing the contract in the first place? Why did I have to take the brunt of it? What would you have done if you were in my shoes?"

(Hurry up, Sam. It's time.)

"Okay, I'll sum it up in a hurry. Some equal time I'm getting. Back in the beginning of this book, you said something about there being a thin line between salesmanship and deception. I'll admit that I operate pretty close to that line. You may say I'm way overboard on the deceptive side, and maybe I'd argue with you. But if I'm operating close to that line, so are a lot of other people

that would otherwise be called legitimate. Let me ask you a few questions. For example, did the bank ever make a mistake on your statement in your favor, and you 'forgot' to tell them about it? Did you ever sell or trade in a car and 'forget' to tell the buyer or dealer about some hidden problems that you knew might not show up until after the deal was closed? Did you ever sell a house and 'forget' to tell the buyer about certain flaws that you knew he wouldn't discover for many months, at which time you could shrug your shoulders if he approached you, and claim you never knew of them? Am I the only one with a touch of larceny in my heart?

"Sure, you're going to have to watch out for me. I'm out to make a living in the best way I can. Hopefully, I'll be smart enough not to break any laws, but like many others, I might bend a few from time to time. If I'm foolish enough to break a law and get caught, so much for me. But that goes for everyone else too.

"But although you have to watch out for me, you have to watch out for yourself just as much. Keep your common sense at a peak, keep your greed instincts down, and maybe we'll never get involved. But if we do get involved, I can assure you that I will do my utmost to sell my product on the best terms I can get. That's business, isn't it?

"Now, before I go, I thought since we've been having such a nice chat here, you might like to hear a little bit about this terriffic land development I've got going down in Florida . . ."

Caveat Emptor

Clever little devil, isn't he? Listen to him long enough and. . . . who knows?

Whether the warning comes from me or from Sam, the paramount message of this whole book comes

through loud and clear: "Caveat emptor—let the buyer beware."

With all the publicity given to caveat emptor, why do we still end up now and then being deceived or dissatisfied? Probably because the principle of caveat emptor goes against the grain of human nature. When we have the need or are smitten with a desire to obtain a given product, we tend to make a beeline towards that product. Caveat emptor is a roadblock in our way, and it deters us from our goal. We ignore it. We clamber over it. We cower under it. In its early legalistic origins, caveat emptor inferred that a seller isn't responsible for the quality of his product unless there is a written guarantee. In more modern jargon this could be translated to, "What you see is what you get." Perhaps more important than the legalistic roots are the economic overtones involved.

Early in the annals of commerce, it became apparent that a free marketplace was one in which manufacturers sought the favor of customers by virtue of the quality and price of their products. Government controls of what could and could not be made, how certain things should be made, and how certain things should be priced, overlooked the fact that these are infringements on the freedom of the marketplace. Not only do the buyers have a diminished choice but, by one means or another, they are paying for the government controls. The purpose of government controls is to relieve the buyer from anxieties he might feel about buying certain products.

In other words, over the years we have paid for the government to assume some of our "buyer beware" responsibilities. In effect, we're saying to ourselves, "We don't want to bother with the problem of inspecting, examining, and approving a whole lot of technical manufacturing processes. Let's pool a small sum of each individual's money and let a government agency do it

for us. Then when we go into the marketplace, we can be reasonably assured that anything we might buy has already been approved by someone else."

But there's an odd quirk to all this. The more willing we are to substitute our own individual judgments for a collective government judgment, the more we let our guard down about those judgments which we still must make on our own. The advent of the so-called "consumerism movement," for all the good it may be doing, could be a dangerous course if controls aren't exerted upon it. With the outcry growing for government restrictions, controls, and regulations, we could find ourselves with a marketplace all but devoid of free choice and free competition. Are we willing to pay this price so we no longer have to "beware" when we set forth into the marketplace? It's a question of balance, and until we are relieved of our caveat emptor burdens by complete government controls, we cannot and should not relent for one moment in exercising all the cautions that the warning contains.

These cautions, all of which have been referred to earlier in this book, include:

1) Analyzing our own needs and desires before we make a commitment.

2) Obtaining a basic knowledge of the product we're seeking.

3) Careful and judicious comparison of the product as offered by different retailers.

4) Careful and judicious study of the guarantees behind the product.

5) Careful and judicious study of the manufacturer's reputation and the retailer's reputation.

6) A realistic analysis of our financial ability to obtain the item.

7) Careful and judicious study of the financing arrangements we enter into.

8) Prompt and appropriate action in the event that the product or service does not perform as represented.

9) Conscientious attention to meeting our financial obligations in paying off our contracts.

Overriding all of these cautions is the major one: that at any time we enter into a transaction and our rights can be affected by language in contracts, warranties or other documents, and we don't understand the language precisely, we will seek qualified professional help to enable us to understand it before we make a commitment.

These cautions are the essence of caveat emptor. Needless to say, the more money there is at stake, the more attention should be paid. Whether you're shopping for a pound of apples or for a house, the cautions of caveat emptor are a habit worth getting into.

The "Holder in Due Course" Doctrine

Next to the caveat emptor habit, an awareness of the Holder in Due Course Doctrine is essential to the well-prepared buyer—not only for purposes of avoiding Snake Oil Sam's traps, but for generally making the most of your endeavors in the world of commerce.

The doctrine is among the oldest in our body of laws. Here's a simplified look at how it works:

You, Arnie, owe your friend Barney, $100. To pay off the debt, you write out a check payable to Barney for $100. That night, to celebrate repayment of the debt, Barney goes out on the town and stops in for a few drinks at Carney's Tavern. He runs short of cash and asks Carney to cash your check for him. Before Carney does so he has Barney endorse the check on the back. Then Carney gives him the money. The next day Carney deposits

the check in his checking account. A few days later his bank notifies him that your check has bounced, and that they will not credit Carney with the $100 he thought he had deposited. Who has what rights, and against whom?

Can Carney go to your bank and demand payment? No. Carney must go back to Barney to get his $100 back, and in turn, Barney comes back to you, Arnie, and demands either a valid check or cash.

The check is a form of what is called a "negotiable instrument"—a document, such as an IOU, which can be passed from hand to hand to hand, with the value thereof transferring from party to party to party. When Barney took the check from you he became a holder of the instrument, and since he took it in settlement of a normal transaction he is considered to be a holder in due course. Where the instrument is valid on its face and the situation surrounding the transfer is a normal, common transaction, the recipient, Barney, is considered to be a holder in due course. He thus takes the instrument at full value, regardless of any defects that may exist, such as the fact that there are no funds in the account.

By endorsing it and passing it on to Carney, Barney got out of the picture, at least for the moment. Now Carney was a holder in due course, and he held the document at face value without regard to the defect. Carney's rights to collect, should something go wrong, thus run against Barney; and Barney's back against Arnie. When Carney endorsed the check and deposited it into his bank account, the bank then became a holder in due course.

In essence, the Holder in Due Course Doctrine allows negotiable instruments to pass from hand to hand without each taker having to worry about whether or not there are any defects in the original document or in the circumstances surrounding how the document came to be. Imagine what it would be like if there were no

Holder in Due Course Doctrine. You would get your paycheck from your employer, and you'd take it down to your bank to put it into your checking account. But your bank wouldn't accept the paycheck until they had verified that the employer had adequate funds in his account. Lacking the Holder in Due Course protection, your bank would know that if the paycheck bounced they'd have to go back to your employer to collect. But with the Holder in Due Course concept, your bank will accept your paycheck immediately, knowing they can come back to you if the paycheck should bounce. If that should happen, then it's up to you to go back to your employer to have him make good.

Another form of negotiable instrument is a retail installment sales contract. Credit card transactions utilize the retail installment sales contract—that, in effect, is what you're signing when you put your name to a credit card charge. When you sign the charge slip, you're signing an IOU. Because of the Holder in Due Course concept, a merchant immediately accepts your IOU as being valid and collectable. In certain large transactions, the merchant may check to see if your credit card account is up to date. But in the run-of-the-mill transactions involving smaller amounts, the IOU is accepted without question. Without the Holder in Due Course concept, the entire world of credit cards would grind to a halt, for the merchant would have to check each time to make sure that your account was paid up to date. Even then, there would be no assurance that you were going to pay the IOU to the bank, who in turn had already paid the merchant.

In short, the Holder in Due Course concept sets up a chain of responsibility from holder to holder to holder, rather than a line of responsibility running from the original maker of the IOU to the ultimate purchaser of it.

The relatively smooth functioning of the whole world's

economy depends to some extent on this concept. If every time a check were written or an IOU signed the recipient of it had to verify its value, the wheels of commerce would cease to roll very quickly.

How does this doctrine apply in the areas where Snake Oil Sam might be found lurking? In the same way as checks and IOUs pass from hand to hand, so it can be with contracts such as those that you might sign for the purchase of a car, a piece of land, a mobile home, an appliance, or virtually anything. As with the credit card slips, they are a form of retail installment sales contract, and constitute an IOU. If they are otherwise valid on the face and you sign one, the dealer can sell the contract to a third party, such as a bank or finance company. In doing so, the third party becomes a holder in due course, and has recourse directly back to you, the signer, regardless of any defects in the original transaction.

Thus once you have signed such a contract, you are in effect obliging yourself to pay the money to whomever the contract might be sold, regardless of any claims you might have against the seller. If the land is underwater, or the TV set doesn't work, or the axles fall off the used car, that's between you and the seller to work out. If he has sold your contract, you still owe the money to whomever he sold it to.

Going back to the example of Arnie, Barney, and Carney, if Barney had stopped to inquire of your bank before he had accepted your check, he would have found out right away that the check was no good and he would not have accepted it. Had he not done so, perhaps Carney would have done so. In either case, the transaction would have come to an end quickly. If you sign a contract for, say, the purchase of a piece of undeveloped land and the developer sells the contract to a bank, the bank of course can check back with you before they buy the contract to make sure you're really happy with the whole deal.

Why don't they do this? Because they'd be spending so much time checking out the legitimacy of all their deals that they'd never get any business done. Either that or they'd have to increase the cost to cover such activities—which would mean higher interest rates to you.

The Holder in Due Course concept might differ slightly from state to state. Basically it is a state law, not a federal law. In some states there have been revisions in the concept over the years, chipping away at the immunity a holder may have from any defects in the original claim. Theoretically the day might come when a bank or finance company will not buy IOUs from dealers because the IOUs will state, or the law will state, that any defects existing in the original deal travel right along with the IOU. In such a case, if a bank bought an IOU in which there was a defect in the original transaction, the bank would be buying at their own risk. If you could prove you had no obligation to pay because of the defect (for example, that you were defrauded in entering into the transaction) then the bank might be stymied in collecting from you.

But for the most part, the Holder in Due Course concept does still prevail, and until there are more sweeping changes throughout the states, you must be on guard at all times as to what can happen to you when you sign any form of IOU. Put it this way: lacking any revisions in the laws (and they will be slow in coming), once you sign an IOU, you never can tell who might end up holding it or how they will act once they do hold it. If you sign the IOU and have even the vaguest doubt that you should rightfully be owing the money, then you've got no business signing the IOU. It can come back to haunt you.

While the Holder in Due Course concept is important in the smooth functioning of our economy, it also happens to be a valuable weapon in the hands of Snake Oil Sam. A great many of his schemes can function only

if the victim can pay by signing his name rather than shelling out cash. If a victim had to shell out cash for, say, a fraudulent land deal, there's good reason to believe he'd do a lot more second thinking before he parted with the green stuff. But signing your name on a piece of paper is painless, and you don't feel the impact all at once; rather, it's split over a long number of months.

Curtailing the Holder in Due Course concept, particularly with regard to retail installment sales contracts, could seriously hinder many of Snake Oil Sam's activities. It could also slow down many of our commerical transactions, and possibly make them more costly. Unfortunately, it's a situation where correcting the few abuses will put a heavier burden on all those transactions in which there are no abuses.

Some Helping Hands

What if you do get caught in the clutches of Snake Oil Sam? What can you do? Who can help? Many specific agencies have been mentioned earlier with regard to certain types of transactions. Here is a rundown of other agencies that can offer assistance in varying degrees:

1. *The Federal Trade Commission.* Officials at the FTC in Washington, and at its various regional branches in Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Los Angeles, New Orleans, New York, San Francisco, and Seattle, emphasize that they are not in a position to represent individual consumers as would your own attorney. The FTC is an agency of the government charged with a great many areas of responsibility. One of the primary areas, as has come into focus in recent years, is deceptive business practices.

Here's a brief look at how the FTC operates. Information regarding possible deceptive practices can come to the attention of FTC offices in a number of ways. Com-

plaints from individual consumers are probably the predominant way. In addition, newspaper clippings and complaints from other businessmen are also a means of gathering information. The FTC does not have the staff or the funds to investigate every complaint that comes to its attention. When there is enough frequency of a certain type of complaint against a given company, the investigative staff will make a determination to look into it. If, after due investigation, the FTC has reason to believe that a deceptive practice has occurred, they will call it to the attention of the alleged offender and attempt to work out what's called a "consent order." A consent order is a rather curious document in which the alleged offender promises not to do what he has been accused of doing, but does not admit that he was guilty of doing it. In other words, in effect, he's not guilty but he promises he won't do it again. If he does violate the consent order, serious punishment can follow.

If the offender does not feel he has done anything wrong and does not want to sign a consent order, the matter must proceed into the law courts, where many months can elapse before the issue can be resolved.

From the time that consumer complaints first start trickling in until the time that a consent order might be obtained, many months can also elapse. If an out-and-out fraudulent activity has been under way, the perpetrator may have long ceased to be around by the time the consent order is issued.

Why doesn't the FTC alert the public when they first start receiving complaints? Wouldn't this help tip off the public at the earliest stages of the game? While such warning bulletins might be of some value to some people, there are dangers inherent in such a course. Many innocent parties could suffer if announcements were made by the FTC on the basis of a mere suspicion of a violation of the law. It is possible for a jealous or angry competitor

to set up a campaign of malice against a perfectly innocent businessman. Investigation is necessary before any allegations of lawbreaking can be justified. Furthermore, if the FTC were to tip its hand too early in the game, it might harm their ability to obtain justice later on in the law courts. Thus there's the necessity of some degree of secrecy until the basic investigatory work has been completed and a complaint is issued.

The Federal Trade Commission does not have immediate injunctive powers—they cannot come swooping down on an alleged deceptive business practice and order them to cease and desist on the spot. They must go through the consent order ritual which, as noted, can take months.

If the FTC is limited in its powers, it's even more limited by a close-mouthed public. This federal agency can only function if they get the input from the public. Lacking that input, they have nothing to go on. While it may serve little purpose to your own situation to alert the FTC to a deceptive business practice, it could aid them in the broader scale of bringing such practices to an end.

2. *The Postal Service.* Contact the Mail Fraud Division of the Postal Service if you suspect that the U.S. Mails have been used to perpetrate a fraud. As with the FTC, the Postal Service is limited in the available money and manpower to track down every complaint, but they do what they can. The more complaints there are on a given matter, the better chance they have of obtaining a satisfactory conclusion.

3. *Nongovernmental Sources.*

A. *Your local newspaper.* Daily and weekly newspapers throughout the nation have been doing an ever-increasing job of surveillance and reporting on

consumer fraud activities. Many papers have a regular feature, known variously as "Answer Line," "Action Line," "Bee-Line," and the like. These departments are maintained at considerable expense by the newspapers as a public service. Very often they're able to resolve matters right on the spot. Matters of more overriding community importance might be referred to the local consumer news department for more detailed investigation, and exposé, where appropriate.

B. *Better Business Bureaus.* BBBs, as mentioned earlier, are not investigative agencies. They are a clearinghouse of information on business activities in your community. There is very little that the BBB can do for you other than to report on the existing files of various businesses. They're not generally in a position to adjust your grievances. The biggest value in utilizing the services of your BBB comes before you get involved, not after.

C. *Chambers of Commerce.* In some communities the BBB and the Chamber of Commerce operate under the same roof. Where they are separate, the Chamber might be able to help spread the word of a local fraudulent activity, not only through its membership but through the news media as well. If you are aware of a fraudulent activity in your community, it might be worth a phone call to the Chamber with the hope that others might be alerted to the scheme. Don't look to them for any help for yourself necessarily, but they might help others.

D. *Financial Institutions.* Banks, savings and loan associations, credit unions, and consumer finance companies are all actively involved on a day-to-day basis with the flow of IOUs generated from all kinds of activities. If a deceptive business practice is underway, an alert to these institutions could help to bring an early end to the activity. Such institutions might be

involved in buying fraudulently induced IOUs, and tens of thousands of dollars worth of paper can be generated before anyone's aware that a fraud is in the works. The sooner they know of it the sooner they can stop buying the paper, which is the death knell of the fraudulent endeavor.

Your financial institution can be of still greater help if you consult with them regarding your own financial situation before you get involved in any debt situations. They don't charge for the service, and you could find yourself getting excellent advice.

4. *Local Consumer Protection Agencies.* There may be independent consumer groups in your area, and there may be governmental-affiliated groups. The more of them you contact, the more help you're liable to get and the better alerted your community is liable to be. In addition to the actual consumer protection agencies, you'd do well to contact under appropriate circumstances the local police, the county sheriff's office, and the state police. If you need legal assistance and don't know a local lawyer, your local Bar Association probably maintains a referral service that can put you in touch with an attorney. Under such referral systems, a nominal fee is usually charged for the first session. If you need legal assistance and are unable to afford it, the Legal Aid Society in your area can be of help to you if you meet their qualifications.

Your own attorney, all things considered, is your first and best line of defense where possible involvement with a fraudulent activity looms. If you see him before you get involved, you should be well-insulated from any harm. The longer you wait to see him the deeper in trouble you'll be, and the more expensive it will be for him to get you out.

State Agencies

I sent a questionnaire to the Office of the Attorney General of each of the 50 states, inquiring about their consumer protection activities and powers. Each Attorney General was requested to forward the questionnaire to any other agency that might be more appropriate in this regard.

Please bear in mind that laws, budgets, staffs, and philosophies can vary widely from state to state with regard to consumer protection and deceptive business practices. Thus the degree of assistance that such agencies can offer their citizens also varies greatly.

The primary burden is on the individual to use care and common sense in his business transactions, with the hope of avoiding the need to turn to such agencies for help. But if worst comes to worst, help may be available from these agencies. Don't expect miracles. And don't start thinking that the agency can always bail you out if things go wrong.

Following is the questionnaire that was sent. Each state is then listed separately, and the numbered items under each state correspond to the numbered items on the questionnaire.

QUESTIONNAIRE FOR STATE CONSUMER PROTECTION AGENCIES

1. Official title of agency.
2. Mailing address.
3. In what manner do you prefer consumers to report to you: phone, letter, personal visit, affidavit, and so on?
4. Are consumer complaints acknowledged? In what form? How long will acknowledgment take?

5. What jurisdiction or legal powers does your agency currently have with respect to the following, where a fraudulent practice is evident: Investigation? Adjustment? Restitution? Injunction? Prosecution?
6. What steps do you recommend the defrauded consumer take before seeking help from your agency?

ALABAMA

1. Attorney General's Consumer Services Department.
2. 250 Administrative Building, Montgomery, Alabama 36109
3. Letter or personal visit.
4. Yes, usually by letter or resolvement within approximately seven days.
5. "The Attorney General is the chief Law Enforcement Officer in the State of Alabama. As such he has investigative powers, can and does seek injunctive relief if warranted."
6. "Most complainants have exhausted all available means of recovery before contacting this office."

ALASKA

1. Department of Law, Office of Attorney General, Consumer Protection Section.
2. Pouch K, State Capitol, Juneau, Alaska 99801
3. Letter.
4. Yes, by letter, several days usually.
5. See Alaska Unfair Trade Practices and Consumer Protection Act.
6. "To use judgment and discretion before entering into consumer transactions—especially when dealing with unknown merchants."

ARIZONA

1. Office of the Attorney General, Division of Consumer Protection.

2. The Capitol, Phoenix, Arizona 85007
3. By letter, reporting all the details of the transaction and enclosing copies of relevant documents.
4. Yes, by letter within two to four weeks.
5. Powers of investigation, restitution and injunction are spelled out in Arizona Revised Statutes, chapter 44, sections 1521 to 1534. No specific adjustment powers, "although hundreds of adjustments result from our referrals of complaints to merchants."
6. "He should complain in writing to the merchant and to the manufacturer if goods are involved, and to the Better Business Bureau and to any trade associations to which the merchant belongs (for example, the Arizona Automobile Dealers Association)."

ARKANSAS

1. Consumer Protection Division, Office of Attorney General.
2. Justice Building, Little Rock, Arkansas 72201
3. By filling out Consumer Complaint Form or by sending a detailed letter with enclosures of copies of contracts, sales slips, cancelled checks, etc.
4. "In most instances they are acknowledged, either by a personal letter or by copy of letter to the other party. In some cases they are not acknowledged until the reply is received from complainee or there is other information to report." Acknowledgment usually takes one day to several weeks.
5. The Consumer Protection Act of Arkansas, sections 70-901 to 70-913 spells out powers of office. No power of prosecution—"prosecution would be by the Prosecuting Attorneys' Offices throughout the state."
6. "Try to work out a satisfactory settlement himself."

CALIFORNIA

1. Office of Attorney General.
2. Room 500, Wells Fargo Building, Sacramento, California 95814
3. Letter.
4. Yes, by letter, one to three weeks.
5. All but adjustment were checked.
6. Contact company.

COLORADO

1. Department of Law Office Consumer Affairs.
2. 112 E. 14th Avenue, Denver, Colorado 80203
3. "We require that all complaints be submitted in writing. We have our own complaint form, but also accept hand-written letters."
4. "All complaints are answered by mail, eventually, one week to one month."
5. "We investigate all complaints. We seek voluntary adjustment. We seek restitution and injunctive powers when we file suit. No criminal powers."
6. "Request adjustment from the businessman himself."

CONNECTICUT

(Two replies were received from Connecticut, one from the Attorney General's Office and the other from the Consumer Protection Department, a separate agency. Both replies are contained below.)

1. Attorney General's Office.
2. 30 Trinity Street, Hartford, Connecticut 06115
3. "Under state statutes, the Consumer Protection Department, which is a separate agency, not the Attorney General, makes the initial investigation. However, we receive many inquiries and complaints and we have no preference as to what manner these complaints are made. We wish to encourage communications with the public so that

we are aware of consumer fraud problems as soon as possible."

4. Yes, by letter. "If case is one in which our office is involved by reason of pending court action, an investigator contacts the complainant. Acknowledgment will take one to thirty days and averages approximately two weeks."
5. "Our office has no specific statutory authority to initiate court action. In aggravated cases, however, we have filed common law injunction suits after investigation by the Department of Consumer Protection. In practice, they have on occasions assigned an investigator to work with us for that purpose. Generally, our legal involvement usually consists of enforcing cease and desist orders issued by the Consumer Protection Department, by petition to the Court of Common Pleas. We also defend the Consumer Protection Department in the event of appeal to that court. Presently, legislation has been introduced in the General Assembly to broaden the enforcement powers of the Consumer Protection Department and the Attorney General's Office."
6. "First, we strongly recommend that consumers take preventive measures before they are defrauded. Where a substantial investment is being sought, such as in franchises or so-called pyramid operations, we advise the consumer to obtain a Dun and Bradstreet Report (not merely the credit rating) which would disclose the nature of the company's business as well as pending litigation. We also advise that the consumer contact the Federal Trade Commission to obtain copies of any consent decrees, cease and desist orders, and any other public information releases concerning the company. We also advise that he contact the Better Business

Bureau for any information they have. Then, *prior* to making any investment, we advise the consumer to consult an attorney of his own choice for advice. Although this involves some expense on the part of the consumer, this expense is justified in light of the investment.

"Where a consumer suspects he has been already defrauded, we advise him to retain any and all materials, particularly correspondence and other paperwork concerning the transaction. We also advise him to make notes as to various conversations which may have induced him to enter into the transaction. This should include any and all promises, implications, reassurances, etc. He should then contact the State Department of Consumer Protection as well as the Better Business Bureau."

* * * *

1. Department of Consumer Protection.
2. State Office Building, Hartford, Connecticut 06115
3. Letter. "A consumer writing a complaint should include all details of his problem, including names of people he has dealt with and photostatic copies of any pertinent advertisements and contracts. A consumer should also include his telephone number, preferably where he can be reached during office hours."
4. Yes, letter or phone, three to ten days.
5. Investigation: Inspection and subpoena of documents; Adjustment: Yes; Restitution: No; Injunctive: Cease and Desist Order; Prosecution: No, enforcement of orders by Attorney General.
6. "Preventive measures include seeking information on products through sources such as consumer reports and investigating individual business concerns through the Better Business Bureaus and the Chamber of Comemrce. The consumer should

write or talk to the manager or president of companies with which he has a grievance prior to contacting our agency for aid in adjusting a complaint. From an enforcement standpoint, we desire to receive all complaints alleging of violation of statutes administered by the Department as soon as possible."

DELAWARE

1. Division of Consumer Affairs.
2. 704 Delaware Avenue, Wilmington, Delaware 19801
3. Any of the above.
4. Yes, by letter and/or phone. One to eight weeks, depending on nature of problem.
5. Powers of investigation and adjustment. Cease and Desist powers, regarding prosecution. For further details see Delaware Laws, Title 29, Section 8612: Division of Consumer Affairs; and Title 6, Section 2532: Deceptive Trade Practices.
6. Discuss problem with merchant.

FLORIDA

1. Division of Consumer Services.
2. Department of Agriculture and Consumer Services, Tallahassee, Florida 32304
3. In writing preferably on our consumer complaint form.
4. Yes, by letter or postcard, no longer than five working days.
5. "The Office of Consumer Services was originally created by enabling legislation which was passed in 1967. This law which now governs our office is Florida Statutes 570.281–283. In addition, the Department administers Florida's Deceptive Trade Practices Law which appears as Chapter 817, Part IV, Florida Statutes."

"When we receive a complaint the procedure is first to determine who has jurisdiction. If not our department, the complaint is referred to such agency as does have jurisdiction. The receiving agency then takes whatever action may be appropriate and reports back to our office on the action taken. In cases where no agency has authority to act, we usually attempt to arbitrate the matter by contacting the seller, dealer, or contractor involved. In most of these cases, the Division makes a direct contact with the business enterprise complained against and tries to resolve whatever problem exists between the business and the complaining consumer. In a gratifying proportion of these cases our initial attempt to settle the matter by mediation between the parties is successful. When these efforts fail, we sometimes advise use of the Small Claims Court.

"In cases involving deceptive practices in violation of Chapter 817, we may accept an Assurance of Voluntary Compliance. If this procedure does not result in a satisfactory conclusion, other legal action might be recommended. Under Chapter 817, we do have authority to make investigations and sue for injunctions to stop deceptive trade practices.

"We cannot enter litigation on behalf of individuals."

6. "Take up his complaint with the businessman he feels has mistreated him."

GEORGIA

1. Georgia Consumer Services
2. 120 Marietta Street, Atlanta, Georgia 30303
3. Statewide toll-free WATS telephone line (1-800-282-8900), letters, and personal visits.

4. Yes, extensive follow-up by phone and mail. Time of acknowledgment depends on type of case.
5. Investigation limited through telephone; adjustment and restitution primarily through arbitration; no injunctive or prosecution powers.
6. Personal contacts with business in question.

HAWAII

1. Office of Consumer Protection.
2. P.O. Box 3767, Honolulu, Hawaii 96811
3. Complaint form or letter. "When a complainant calls in to register a complaint, the complaint form is mailed to him."
4. Standard acknowledgment letter within five days after receipt.
5. "Full powers of investigation; able to negotiate voluntary adjustments; unable to compel restitution; by statute, authorized to enjoin violations; by statute, authorized to sue for civil penalties."
6. "Write a letter to the company demanding restitution."

IDAHO

1. Consumer Protection Section, Business Regulations Division, Office of the Attorney General.
2. State House, Boise, Idaho 83707
3. "By affidavit would be preferable, but virtually all complaints are reported on the recommended form. A complaint form is sent to a telephone complainant immediately. An investigation is not instigated until a properly completed complaint form has been received."
4. Yes. A copy of our letter is sent to the complainant. A letter to the respondent is usually sent out the same day the complaint is received.
5. Investigation: Investigative demand order, subpoena, administrative hearing; Adjustment: None;

Restitution and Injunction: By court order; Prosecution: Civil only. Injunctive relief and up to $10,000 fine for contempt of a court order.

6. "Contact the company—if there is no response or it is negative, contact us or a private attorney."

ILLINOIS

The Illinois Attorney General's Office took the time to write a lengthy four-page letter which not only answered the questions in the questionnaire, but described in considerable detail the workings of that office. They also enclosed a number of valuable booklets on various aspects of consumer fraud and deceptive business practices, which are available at the appropriate addresses noted below. In addition to their legal activities, the Office conducts an active Public Information Service supplying news releases to local newspapers. They're also active in making speeches to various civic groups, women's clubs, schools, home economics groups, teachers' associations, and professional groups throughout the state.

The Consumer Protection Division of the Attorney General's Office is divided into two geographical sections: "One for the 96 down-state Illinois counties (500 S. Second St., Springfield, Illinois 62706); and the other for Cook County and the five surrounding metropolitan counties (Rm. 204, 134 N. La Salle Street, Chicago, Illinois 60601)."

The manner of handling consumer complaints, as set forth in their letter, is as follows:

> "Our complaints are generally received by mail or over the telephone. In response to the inquiry, we send to the complainant a consumer complaint form which, when executed and returned to us, will enable us to institute an investigation. When the complaint form is received in our office, we first

make a determination as to whether or not there could possibly be a violation of any of the consumer protection laws. If we find that we have jurisdiction, we then request that the complainant, if he has not already done so, furnish us with all documentary evidence dealing with the transaction—that is, photostatic copies of the warranty, contract, bill of sale, purchase order, newspaper advertisement, etc.—anything which may pertain to such transaction. Depending upon the allegations of the complaint and the geographical position of the business against whom the complaint is directed, the file will then be assigned to an investigator or the attorney in charge of the particular area. Then an informal letter is sent to the respondent containing the allegations of the complaint. The respondent is requested to file an informal answer or come into the office, or the office from which the letter was sent, to discuss the matter in order to give us their version of the transaction.

"In the process of investigation, we may interview any witnesses to the transaction or other persons having pertinent knowledge of the facts. After an answer is filed by the respondent, we then attempt to reach an informal adjustment or settlement between the complainant and the respondent. If it is an unlawful business practice, as defined by the Consumer Fraud Act, and is that type of practice which might be continuing, we then attempt to obtain the respondent's informal assurance that the practice will not continue in the future. In some cases, it is necessary to hold a hearing in which testimony is taken from both the complainant and the respondent, and a decision is arrived at on the basis of such hearing. These decisions, of course, do not have the effect of a judicial decision, but they are

based upon our purely objective evaluation of the two particular points of view. Hearings are generally held only in cases where we received pattern-type complaints indicating persistent and flagrant violations of the Consumer Fraud Act over a long period of time. The Act gives us the right to bring, in these situations, court proceedings, but litigation is used only as a last resort.

"The thrust of the litigation is two-fold: the statute authorizes us to ask for injunctive relief ordering the business to stop the unlawful business practice in which they are engaged and also authorizes us to ask for restitution of any monies which may have been obtained by the perpetration of the unlawful business practice. Litigation has occurred primarily in cases of hard-core fraud, particularly in the area of termite and pest control sales, basement waterproofing sales, furnace repair sales, chimney building, septic tank cleaning, lightning rod sales and inspections, and other types of home improvements which amount to confidence game operations. If, in our opinion, the operation violates the Illinois Criminal Code, we then provide information from our files to the State's Attorneys who will then, in their discretion, prosecute the fraudulent operators inasmuch as our division has no criminal jurisdiction."

INDIANA

1. Consumer Protection Division, Office of the Attorney General.
2. 219 State House, Indianapolis, Indiana 46204
3. The balance of information requested in the questionnaire was contained in a brochure issued by the Consumer Protection Division, copies of which are available at no charge. With respect to the filing of

a complaint, the brochure states the following: "If you have a legitimate consumer complaint, the Office of the Attorney General, Consumer Protection Division, recommends the following: 1. If a crime may have been committed, contact your County Prosecuting Attorney; 2. *Always* try to settle the complaint by contacting the merchant, his superiors, or the company; 3. If unsuccessful, it is suggested you seek help from your local sources of assistance such as the Better Business Bureau, Chamber of Commerce, Merchants Association, County Extension Agent, etc.; 4. If you receive no relief, or choose not to work through the local sources, send your written complaint with supporting documents to the Consumer Protection Division."

IOWA

1. Consumer Protection Division of Attorney General's Office.
2. State Capitol, Des Moines, Iowa 50319
3. Written
4. Yes, usually by letter, usually within one week.
5. All powers listed were marked with an "X."
6. "Talk to company or person the complaint is against."

KANSAS

1. Consumer Protection Division.
2. First Floor, State Capitol Building, Topeka, Kansas 66612
3. Verified complaint form.
4. Yes. Carbon copies of letter to business or company complained about; five to fifteen days.
5. Investigation: Full investigation and subpoena powers; Adjustment: Obtained injunctions; Restitution: Full power to obtain out of pocket losses;

Injunctive: Extensive powers to enjoin any unlawful practices; Prosecution: No criminal provisions in Kansas Buyer Protection Act. For further information see Kansas Buyer Protection Act.

6. "Contact the merchant involved and contact the local County Attorney."

KENTUCKY

1. Consumer Protection Division.
2. 309 Shelby Street, Rm. 109, Frankfort, Kentucky 40601
3. Letter or toll-free consumer hot line (1-800-372-2960—Kentucky residents only).
4. Yes, by letter or phone call, approximately one week.
5. "Under the Consumer Protection Act 'false, misleading, or deceptive acts or practices in any trade or commerce are unlawful.' The Attorney General is empowered to take legal action to stop such deception practices."
6. Compile all pertinent information and send along with letter of complaint.

LOUISIANA—No reply received.

MAINE

1. Consumer Fraud Division.
2. Office of the Attorney General, State House, Augusta, Maine 04330
3. Letter. "Even though a letter is received, we still send the consumer a copy of our consumer complaint petition to complete before final review of the case is established."
4. Yes, by various form letters, usually two to four weeks.
5. Has all such powers under Unfair Trade Practices Law, sections 206 to 212.

6. "That he contact the company with which the problem exists, to try to resolve the matter."

MARYLAND

1. Office of the Attorney General, Consumer Protection Division.
2. 1 S. Calvert Street, Baltimore, Maryland 21202
3. Any manner.
4. Yes, "if it's in order to do so," by letter or phone, in one week to three weeks.
5. All powers except prosecution.
6. "Unless clear fraud is present, the customer should first try to resolve the problem with the seller."

MASSACHUSETTS

1. Department of Attorney General, Consumer Protection Division.
2. 167 State House, Boston, Massachusetts 02113
3. All are acceptable, but prefer letters.
4. Yes, by letter or phone, depends on case.
5. All powers listed.
6. "All other possible courses including working with the offender in question or personal counsel."

MICHIGAN

1. Consumer Protection Division.
2. Office of the Attorney General, Law Building, Lansing, Michigan 48913
3. No preference.
4. Yes, by letter in approximately one week.
5. "All consumer complaints received by this agency are investigated by an administrative staff with respect to the allegations raised by the consumer and the response made by the company. If this fails and further investigation is needed, we have two full-time investigators. A substantial portion of our complaints are adjusted by our administrative staff,

basically on an arbitration basis or as a good will gesture.

"If the results of our investigation determine a substantial crime has been committed, details of that crime are forwarded to local prosecutors. If a possible fraud or statutory violation is discovered, the attorneys assigned to the division institute injunctive action and seek public restitution.

"In addition, consumer legislation in the state gives the Attorney General's Office jurisdiction to enjoin illegal or unfair trade practices. The staff attorneys also litigate all statutory violations and deceptive trade practices as authorized by law."

6. "Contact the company or party complained against."

MINNESOTA

1. Consumer Division, Minnesota Attorney General.
2. 102 State Capitol, St. Paul, Minnesota 55110
3. Letter.
4. Yes, by copy of our letter to merchant, ten days.
5. "Statutory duty to investigate; adjustment obtained in 80% of cases; no restitution authority, however frequently obtained through negotiation; statutory authority to restrain and enjoin; no criminal, only civil, injunctive powers."
6. Contact merchant to discuss complaint, but report all suspected frauds to agency.

MISSISSIPPI—No reply received.

MISSOURI

1. Consumer Protection Division, Office of the Attorney General.
2. P.O. Box 899, Jefferson City, Missouri, 65101
3. Letter ("We provide forms").
4. Yes, by letter, up to ten days.

5. Investigation: subpoena power; adjustment: voluntary; restitution: court imposed; injunctive and prosecution powers under section 407.100 of the Missouri Statutes (1969).
6. "Write to complained-against company."

MONTANA

1. Attorney General of Montana.
2. Capitol Building, Helena, Montana 59601
3. Letters, so that a filing system may be maintained concerning requests and answers.
4. Yes, by letter, "communication is continued until resolved."
5. "The State of Montana presently has no exacting Consumer Protection legislation. Consumer complaints are investigated and resolved on a case by case basis."
6. "The consumer should obtain the name of the salesman, full name of the company he represents and its address, copies of any checks and receipts used."

NEBRASKA

1. State of Nebraska Department of Justice.
2. State Capitol, Lincoln, Nebraska 68509
3. Letter, personal visits, affidavits. "Because the office has no express consumer protection authority, it does not actively solicit consumer contacts."
4. Yes, letter in most cases, two to three days.
5. "Prosecution powers: by statute—used rarely." Other powers: "common law powers."
6. "Contact other state, federal, private agencies, private attorney, etc."

NEVADA

1. Attorney General's Office.
2. 401 S. Carson Street, Carson City, Nevada 89701
3. Letter.

4. Yes, letter, depends on work load, one to two weeks.
5. "No broad consumer protection law. All of these actions depend on specific statute over subject."
6. "Seek adjustment from businessman, or, if claim small enough, seek action in Small Claims Court."

NEW HAMPSHIRE

1. Consumer Protection Division.
2. Office of the Attorney General, State House Annex, Concord, New Hampshire 03301
3. Letter.
4. Yes, letter, one to three days.
5. Investigation, injunctive, and prosecution powers.
6. "No set procedure—depends on complaint."

NEW JERSEY

1. Office of Consumer Protection.
2. 1100 Raymond Blvd., Newark, New Jersey 07102
3. Personal visit and/or letter.
4. Yes, form letter, approximately one week from receipt of letter.
5. All powers checked.
6. "Obtain all substantiating documents, correlate all information, none other." For further information see the New Jersey Consumer Fraud Act (NJSA 56: 8-1 et. seq.).

NEW MEXICO

1. Consumer Protection Division.
2. Attorney General's Office, P.O. Box 246, Santa Fe, New Mexico 87501
3. "We ask for a letter of complaint originally, followed with letters; phone or visit if necessary."
4. "Yes, always by form letter or composed letter, one to three days."
5. Investigation: "We have two full-time investigators on the staff." Adjustment: "Through pressure, we

maintain about a 75% to 80% clearance rate of resolved complaints." Restitution: "Refund, exchange of goods, or through court action." Injunctive and prosecution powers are set forth in New Mexico State Laws: False Advertising, sections 49-12-2, etc.; and Unfair Trade Practices, section 49-15-1 to 49-15-18."

6. "Contact company to determine their attitude toward the matter in an effort to resolve it."

NEW YORK

1. Bureau of Consumer Frauds and Protection.
2. State Capitol, Albany, New York 12224, and/or 80 Centre Street, New York City, New York 10013
3. Phone, letter, or personal visit.
4. Yes, by letter and phone, immediately.
5. All powers listed.
6. None.

NORTH CAROLINA

1. Consumer Protection Division, Office of the Attorney General.
2. P.O. Box 629, Raleigh, North Carolina 27602
3. Letter preferred. Telephone calls and personal visits are not discouraged.
4. Acknowledged by letter.
5. Investigation and injunctive powers: yes. Adjustment by mediation. No statutory authority for restitution; individual has treble damages remedy. Local prosecutors have jurisdiction over prosecution.
6. "Contact top management in company against which complaint is directed."

NORTH DAKOTA

1. Office of Attorney General.
2. State Capitol, Bismarck, North Dakota 58501

3. Any manner, but written complaint is generally required at one point.
4. Generally, telephone, letter, personal visit, one day to two weeks.
5. Investigation, restitution, and injunctive powers: yes. No adjustment power, "but it is often done informally." No criminal prosecution is provided under the Consumer Fraud Law itself.
6. "Contact the party complained of in the first instance. Perhaps try Small Claims Court. Get facts."

OHIO

1. Ohio Department of Commerce, Consumer Protection Division.
2. 275 E. State Street, Columbus, Ohio 43215
3. Letter, "consumer complaint form sent to telephone complainants."
4. Yes, letter, two to three weeks.
5. Investigation: "investigate complaints for possible referrals of those involving statutory violations to the Ohio Attorney General." Adjustment: "Attempt to mediate consumer/supplier disputes when possible." Restitution: "Restitution is potential remedy under Ohio Consumer Sales Practices Act." Injunctive: "Injunction is potential remedy under Ohio Consumer Sales Practices Act." Prosecution: "Ohio Attorney General can prosecute under Ohio Consumer Sales Practice Act."
6. "Contact appropriate dealer, manufacturer, or service department."

OKLAHOMA

1. Oklahoma Attorney General Consumer Protection Division.
2. Suite 112, State Capitol Building, Oklahoma City, Oklahoma 73105

3. By letter or phone. Complaint form is sent to complainants.
4. Yes, by post card or copy of referral letter, immediately.
5. No powers regarding prosecution. All other powers as set forth in Oklahoma Consumer Protection Act.
6. "Attempt to obtain written position from business."

OREGON

1. Oregon Department of Justice, Consumer Protection Division.
2. 1133 S.W. Market Street, Portland, Oregon 97201
3. Letter.
4. Yes, mail or telephone, one day to three weeks.
5. Full statutory authority for investigation. Adjustment only done informally, but frequently. Restitution, as with adjustment. Full authority for injunctive relief. No prosecution powers.
6. "Try to get a written statement from seller."

PENNSYLVANIA

1. Bureau of Consumer Protection.
2. 25 S. Third Street, Harrisburg, Pennsylvania 17101
3. Letter requesting complaint form.
4. Yes, letter or post card, two weeks.
5. Powers set forth in State Laws establishing Bureau of Consumer Protection and "Unfair Trade Practices and Consumer Protection Law."
6. "Confront the merchant with relevant facts, guarantees, etc. If no help or adjustment is forthcoming, then contact us."

RHODE ISLAND

1. Rhode Island Department of the Attorney General, Consumer Affairs Unit.
2. 250 Benefit Street, Providence, Rhode Island 02903

3. "Detailed account of the matter in writing including photostatic copies of contracts, receipts, etc."
4. Immediately by letter.
5. All powers listed.
6. "Consult with respondent to determine if adjustment is possible."

SOUTH CAROLINA

1. Attorney General, State of South Carolina.
2. P.O. Box 11549, Columbia, South Carolina 29211
3. Affidavits with notarized signatures are preferred.
4. All complaints received are acknowledged, by letter, usually within two to five days.
5. "Our office can seek to enjoin an unfair trade practice, and request the court to make restitution to all wronged parties. Individuals may seek to recover treble damages under the same act."
6. "Gather all names, addresses, and information or correspondence, make photocopies of such, and attach copies to their complaint."

SOUTH DAKOTA

1. Office of Consumer Affairs.
2. Capitol Building, Pierre, South Dakota 57501
3. "We prefer the consumer to contact this office by either phone or letter, then we ask that they fill out the Consumer Complaint Questionnaire that our office will provide to them. This allows us a routine to handle the numerous complaints that we get."
4. Yes, by form letter, one to three days, depending on the work load.
5. All powers listed, "see SDCL 37024."
6. "We first ask that the consumer contact the company they wish to complain about. Secondly, that they ask for help from the State's Attorney. Thirdly, that they contact this office."

TENNESSEE

1. State Attorney General's Office.
2. Supreme Court Building, Nashville, Tennessee 37219
3. Usually by phone or letter.
4. Yes, by letter, fifteen days.
5. Investigation: No independent power; Adjustment and Restitution: No authority; Injunctive: Only when requested by regulatory board; Prosecution: Only when requested by state agency.
6. "Collect as much documented information concerning the transaction as possible."

TEXAS

1. Anti-trust and Consumer Protection Division.
2. P.O. Box 12548, Capitol Station, Austin, Texas 78711
3. "We welcome consumer complaints in any form."
4. Yes, letter, two days to two weeks.
5. They do have injunctive powers, and there are penalties for violation of injunction, but they have no investigators and no legal means to request restitution.
6. "We don't."

UTAH

1. Consumer Protection Division.
2. Rm. 236, State Capitol Building, Salt Lake City, Utah 84114
3. "By correspondence—we provide printed complaint forms, complainant completes and mails."
4. Yes, by letter, within a week depending on complaint.
5. "When a consumer calls to register a complaint, his name and address are obtained and a complaint form is then forwarded to him. When the form is returned to this office, together with any pertinent

information concerning the problem, the Attorney for Consumer Protection reviews the matter, after which he informs the complainant of his findings. If the matter is basically a private one, he so informs the party involved, and gives suggestions to either obtain private counsel, or file an action in the Small Claims Court, the decision resting entirely with the complainant. If, however, the Attorney is confident that the complaint registered is of fraudulent nature, he then investigates further and files legal action against the fraudulent business."

6. No answer.

VERMONT

1. Consumer Protection Bureau, Attorney General's Office.
2. P.O. Box 981, Burlington, Vermont 05401
3. Phone or letter.
4. Yes, by letter within ten days.
5. Civil investigation with subpoena power; adjustment of complaints; restitution for consumers or a class of consumers; injunctive powers, yes; prosecution, turn over to States Attorney.
6. "Contact the business in order to resolve the problem. Inform the business that the consumer plans to contact our office."

VIRGINIA

1. Division of Consumer Counsel.
2. Rm. 401, 203 N. Governor Street, Richmond, Virginia 23219
3. Letter to "Administrator of Consumer Affairs, Virginia Department of Agriculture and Commerce, P.O. Box 1163, Richmond, Virginia 23209."
4. Yes, by mail, approximately one week.
5. Investigation, restitution, and injunctive powers.
6. "Consult with merchants."

WASHINGTON—No reply received.

WEST VIRGINIA—No reply received.

WISCONSIN

1. Office of Consumer Protection.
2. Department of Justice, 114 E. State Capitol, Madison, Wisconsin 53702
3. Letter, telephone, or walk-in. "Complainants are requested to fill-in complaint forms."
4. Yes, letter and/or telephone call, several days to several weeks depending on the problems.
5. Investigation: "Our office employs four consumer fraud investigators; we have investigatory power as well as subpoena power for records and other necessary information." Adjustment: "Majority of complaints are handled via 'informal mediation' short of formal court action." Restitution: "Legal authority to seek restitution through court action." Injunctive: "Legal authority to seek injunctive relief." Prosecution: "Legal authority granted to the Attorney General, as chief prosecutor of the state, includes 1) injunctive relief; 2) restitution to injured consumers; and 3) civil forfeitures and fines of up to $10,000 for continued violation of the law."
6. "Advice we give to consumers, as noted in our *Consumer Alert,* a guide for the consumer's own protection against deceptive advertising and business practices:

   "First of all, go back as soon as possible to the store, garage, repair center, or whoever you believe may have cheated you, with your complaint. Often, errors are made honestly, and you can recover your money or have shoddy merchandise replaced. It is important that you have with you as many facts concerning your purchase as possible. These might include: advertisements, sales slips, contract cop-

ies, special offers, letters, and, of course, the merchandise itself, if it can be conveniently carried.

"If your complaint concerns repairs, installations, or other services, ask to see the people who run the company. Sometimes the salesman makes promises just to make the sale, and the owners of the business will listen to your complaint and make adjustments if justified.

"If your complaint has to do with mail order merchandise, write immediately to the company involved. Very often misunderstandings can be ironed out by a simple exchange of letters."

Note: Enclosed with the questionnaire were a number of worthwhile fact sheets discussing various types of consumer fraud, and advisory matters relating thereto. They can be obtained by writing to the above address.

WYOMING

1. Office of the Attorney General.
2. 210 Capitol Building; Cheyenne, Wyoming 82001

An excerpt from the Wyoming response, which was in letter form, follows:

"At the present time, the State of Wyoming does not have a Consumer Protection Department nor any applicable legislation. Complaints are handled by the Attorney General's Office by letter which generally must state that we have no authority upon which to act. Occasionally, we will contact the person against whom the complaint has been made to see if a solution can be reached. There is no authority, however, to seek court action on behalf of the complainant. Legislation is now being drafted which will take care of these complaints and will be introduced at the next session of the Wyoming Legislature in January of 1973."